FINANCIAL TIMES

Europe's Business Newspaper — WEEKEND JULY 23/JULY 24 1994 — D8523A

Fears raised of illegal trade in nuclear material

The discovery in Germany of weapons-grade plutonium, believed to have been smuggled in from Russia, has increased fears of a potentially dangerous proliferation of nuclear material from the former Soviet republics. Bernd Schmidbauer, an aide to German Chancellor Helmut Kohl, described the discovery, the first time such material has been found in the west, as "dramatic". A leading US nuclear proliferation expert, Dr William Potter, warned that the find could be just the "tip of the iceberg" involving a growing business in illegally traded Soviet nuclear material. Page 22

Glaxo: Shares in Europe's biggest drugs company fell 14p to 574p following news of a patent action and countersuit over US sales of its ulcer treatment, Zantac, which is the world's biggest selling drug. Page 8

Simpson denies murder: Former American Football star O. J. Simpson pleaded not guilty to charges that he murdered his ex-wife and a male friend of hers when he appeared in court in Los Angeles.

Menarini, Italy's largest domestic drugs group, said it was transferring all manufacturing from Italy to Germany, revealing the move in full-page advertisements in the Italian press. Page 22

Control of Blenheim to pass to trust

The Duke of Marlborough won the right to stop his son, the Marquess of Blandford (left), taking control of the family estate of Blenheim when he succeeds to the title. The legal ruling allows the Duke to hand responsibility for the estate, valued at more than £100m, ($155m) to trustees. A statement said the aim of the legal action was not to disinherit Lord Blandford, who has been jailed for drug offences, but rather to protect the estate.

Clinton denies retreat on healthcare: President Bill Clinton and Democratic party leaders agreed on a new strategy for the US healthcare reform bill that, the president insisted, would still meet his basic goals, including universal medical insurance cover. Page 3

Apple Computer reported higher-than-expected third-quarter earnings, up 15 per cent on a year ago at $2.15bn, as sales of its new Power Macintosh products advanced strongly. Page 9

Boost for 'neglected' students: Gillian Shephard, new UK education secretary, is to launch a drive to improve academic and vocational training for students aged 16 years and over, a group she feels has been "traditionally neglected". Page 4

Mercedes-Benz is planning a shake-up of its loss-making European bus operations, involving job cuts and the merger of its interests into an independent business unit. Page 9

Murayama to visit S Korea: Tomiichi Murayama, Japan's left-wing prime minister, will today visit Seoul to reassure South Korea that it can still count on his country's support. Page 3

Italy clears budget hurdle: The Berlusconi government resolved one of the main issues holding up plans to find fresh revenues for the 1995 Italian budget – a pardon for buildings constructed without proper planning permission. Page 2

UK building costs to rise: Prices quoted by UK building groups bidding for contracts are forecast to rise by up to 10 per cent over the next year as they seek to recover profit margins and pass on increased material and labour costs. Page 5

Tobacco challenge: US tobacco manufacturers have won a court case allowing them to challenge a federal government claim that passive smoking – the inhalation of other people's cigarette smoke – can kill. Page 3

Westinghouse Electric, struggling US conglomerate, reported a fall in net income, to $75m from $84m, for the second quarter. Revenues were down from $2.15bn to $2.11bn.

Amazon surveillance: A consortium led by US electronics company and defence manufacturer Raytheon has won a $1.1bn contract to build a technological surveillance system in the Amazon rain forest. The system will aid environmental research and help combat drug trafficking. Page 3

Companies in this issue

For customer service and other general enquiries call:

Frankfurt
(69) 15685150

Heat wave revives Japanese consumer spending

By Gerard Baker in Tokyo

Across Japan, Asahi breweries have moved to 24-hour shifts. Sales of swimsuits at Tokyo's main department stores are up by 50 per cent on a year ago. In the capital's electrical goods district, Akihabara, Tokyo residents are buying air conditioners faster than shopowners can stock them.

The heat wave could not have come at a better time for Japan's economy. Just as the rising yen looked as if it might choke off the recovery, soaring temperatures have come to the rescue.

"Everything's selling," says Toshiba, the electrical goods group. "From our latest high-tech orange-crusher to the home-made yoghurt maker – all thanks to the weather. People have even got a name for it – the divine wind."

Average daily temperatures were 3.6° Celsius higher than normal in the first 20 days of July. Last week in Kyushu, the temperature hit 39.6°C, the highest since 1979. Since last summer was a cool, damp squib, this year's heat prefigures a strong recovery in personal consumption.

A summer-long increase of 2.4°C in the average daily temperature raises consumption by Y500bn ($5bn), or 0.7 per cent, according to the Yamaichi Research Institute. Applying the equation to current conditions suggests a boost to spending this year of 0.3 per cent. Tax cuts – which come into effect this month – are also lifting demand.

Sales of beer have soared along with the mercury. Every 1°C increase in temperature pushes up daily beer consumption by about 900,000 bottles, or 2-3 per cent, according to one brewer. Asahi, the country's second largest brewer, said a 50 per cent increase in sales had forced it to move to around-the-clock production at six of its eight breweries.

Less intoxicating means of staying cool are also enjoying a bumper season. Best Denki, the largest mass retailer of consumer electronics, said sales of air conditioners were at record levels. On the hottest day so far, July 3, it sold eight times as many as a year previously. Toshiba reported air conditioner sales up 315 per cent.

Department stores, hammered by 22 consecutive months of falling sales, sense revival with the soaring temperatures. Sales of swimsuits, hats and other hot-weather attire are up by 30 to50 per cent at the Takashimaya chain.

The warm weather has also come just at the right time for the country's rice crop, according to a survey published yesterday. Bumper crops are expected for the first time for four years – 10 per cent higher than average. The hot, dry weather is not producing undiluted good news, however. Some parts of the country are experiencing severe water shortages. The two southwestern islands of Kyushu and Shikoku have seen little rain since the spring. In Takamatsu, on Shikoku, water supply has been cut to five hours a day, and some factories have been forced to close.

But even this has beneficial economic side-effects. Sales of bottled water have soared, and the best selling new product at the Seiyu department store is a shampoo that requires no water to rinse.

French racial violence returns, Page 2
Seeking to allay Seoul's fears, Page 3

Clarke welcomes output figures as GDP rises to its highest level since 1989

UK recovery gains momentum

By Gillian Tett, Economics Staff

The strength of Britain's economic recovery increased in the second quarter of the year, in spite of April's tax rises, as total output rose above levels seen before the recent recession.

With the manufacturing sector playing a key role in the growth, the data suggested that the UK economic recovery is becoming increasingly broad based.

Gross domestic product grew by a seasonally adjusted 0.9 per cent in the three months to June, compared with the previous three months, the Central Statistical Office said.

Compared with the same period a year ago, second quarter output was 3.3 per cent higher. This was the fastest level of growth for more than five years and suggests that the Treasury's forecast for 2.75 per cent GDP growth this year will be comfortably reached.

Mr Kenneth Clarke, UK chancellor, welcomed the figures as "the sort of recovery we want to see", not least because inflation was running at relatively low levels, and unemployment falling.

"I intend to make sure we turn this favourable combination not into a boom which goes bust, but into an upswing which lasts for many years," he added.

The output figures benefited from a strong performance from North Sea oil and gas, which accounted for nearly a fifth of the overall annual GDP growth. Measured without the erratic oil and gas sector, output rose 0.8 per cent in the three months to June, quarter on quarter, and 2.7 per cent, year on year.

Nevertheless, the CSO pointed out that even excluding the North Sea contribution, output in the last quarter was now above the previous record reached in 1990, just before the recession.

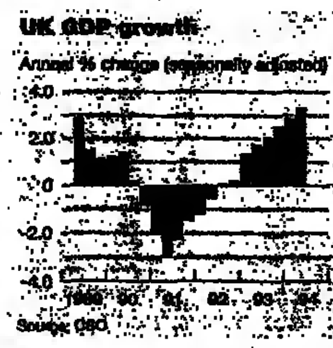
In the City, analysts pointed out that faster growth might raise fears that the economy was running into capacity constraints, and fuelling inflationary pressures. Encouragement was taken from signs that the recovery was becoming more industry driven, after being largely consumer driven last year - not least because trade figures earlier this week showed a steady growth in UK exports to countries outside the European Union.

Mr Paul Turnbull of brokers Smith New Court said: "At the beginning of the year a lot of people were saying tax rises would weaken growth. In fact it has accelerated."

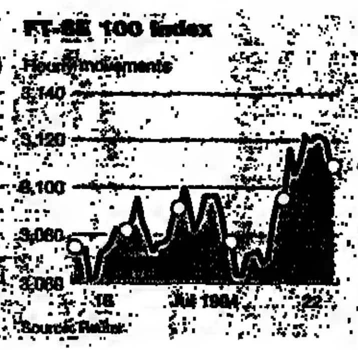
The manufacturing, energy and utility industries grew strongly in the last quarter. The CSO said provisional estimates indicate that the index of production, which covers these industries, would come in for the June quarter above the previously established trend of 1.3 per cent, quarter on quarter, well ahead of the rate of GDP growth. The transport, storage and telecommunications sectors also saw strong growth, the CSO said. The retail, hotel and catering sector - the only areas where firm data is available - grew 0.6 per cent, quarter on quarter.

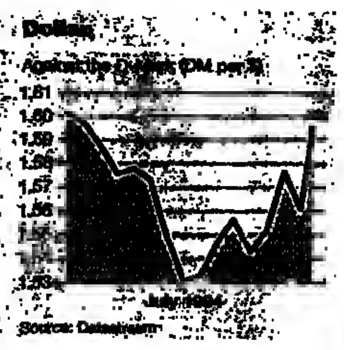
The personal services sector, which includes businesses like hairdressing, however, continues to look weak, the CSO said.

Lex, Page 22



Source: CSO





Source: Datastream

Kenneth Clarke: he welcomed the figures as 'the sort of recovery we want to see'

Greenspan helps dollar to rise

Comments by senior US financial officials yesterday helped the dollar rise to its highest level in nearly three weeks, writes Philip Gawith.

Mr Alan Greenspan, chairman of the US Federal Reserve, restated his view that a strong dollar was in the interests of the US economy. His remarks followed an earlier statement from Mr Lloyd Bentsen, US treasury secretary, that he believed "very strongly" in a strong dollar.

The US currency closed in London at DM1.5955, nearly two pfennigs up on its Thursday close of DM1.576, but off a high for the day of DM1.6026.

It was only modestly up against the yen, finishing at Y98.72 from Y98.685. Dealers say the unresolved US-Japan trade dispute, and Japan's large current account surplus, are impediments to further strength in the dollar.

The week has been characterised by the concerted efforts of US officials to persuade financial markets that they want a firmer dollar. The belief that the Clinton administration was, at best, indifferent to the fate of the currency was one factor accounting for its recent weakness.

Analysts are reluctant to predict that the dollar's recovery will continue. Most argue that action, in the form of higher interest rates, is also needed.

Currencies, Page 11

US launches massive aid operation for Rwanda refugees

By Jeremy Kahn in Washington

President Bill Clinton yesterday announced that the US was mounting "an immediate and massive effort" to help end the refugee crisis in Rwanda.

The US was finalising plans to establish a military base of operations in Entebbe, Uganda, which would serve as the central co-ordinating and staging area for a round-the-clock airlift of medical supplies and humanitarian aide, Mr Clinton said.

US military forces would also work to modify two existing airstrips in Zaire, at Goma and Bukavu, to accommodate flights of relief supplies.

Mr Clinton said the US relief operation had two goals: to alleviate the Rwandan refugees' suffering as soon as possible, and then to secure conditions to enable them to return to Rwanda.

Between 1m and 2m refugees, mostly members of the Hutu tribe, have fled to Zaire in the last week to escape the advancing Rwanda Patriotic Front, dominated by Tutsis. The RPF has just taken power in Rwanda after months of civil war in which the Hutu government slaughtered thousands of Tutsis.

The US army will move immediately to secure a safe water supply for more than 1m refugees living in the camp at Goma.

Continued on Page 22

Mercury loses court battle to change BT's charging regime

By Andrew Adonis

Mercury, the largest competitor to British Telecommunications, yesterday lost its legal battle with the industry watchdog Oftel, to force through a more favourable regulatory regime.

In a ruling with implications for the wider system of utility regulation, the Court of Appeal dismissed Mercury's case without even hearing the substantive points at issue.

By a 2:1 majority, the court supported Oftel's claim that it was not appropriate for it to enter into the dispute between the regulator and Mercury over the regime under which BT charges competitors for the use of its network.

However, Mercury was given leave to appeal to the House of Lords, and there were strong indications yesterday that it would do so.

The refusal by the Court of Appeal yesterday to interfere in the dispute between Mercury and Oftel, the telecommunications regulator, will have ramifications for wider telecoms competition in the UK and for the relationship of utility regulators with the courts — Report, Page 5.

Mercury had sought a declaratory ruling from the court on the interpretation of BT's licence in order to pre-empt a decision on the issue by Mr Don Cruickshank, Oftel's director-general.

Mercury's aim was to change the basis on which it pays for use of BT's network from a per-minute system to a peak-capacity system more favourable to competitors.

It was the first time a competitor to one of the privatised utilities had sought to use the courts to influence the regulatory process. Lord Justice Dillon, siding with Oftel, said the issue was "firmly entrusted" to Mr Cruickshank and not a matter for the courts to decide.

Ms Maev Sullivan, Mercury's director of strategy, said: "The real issue – the price competitors must pay to deliver their calls to BT's customers – has yet to be tested by the courts."

Oftel welcomed the judgment, and said it remained "fully confident" that it had discretion to interpret BT's licence without

Continued on Page 22
MPs' plans for BT, Page 5

STOCK MARKET INDICES

FT-SE 100:	3,114.7	(+19.6)
Yield	4.01	
FT-SE Eurotrack 100	1,387.4	(+15.86)
FT-SE-A All-Share	1,555.53	(+0.7%)
Nikkei	20,462.89	(-160.03)
New York: lunchtime		
Dow Jones Ind Ave		(-6.48)
S&P Composite	462.46	(-0.13)
LONDON MONEY		
3-mo Interbank	$5\frac{1}{16}$%	(Same)
Liffe long gilt fut:	Sep $102\frac{3}{32}$	(Sep $103\frac{1}{32}$)

US LUNCHTIME RATES		
Federal Funds:	$4\frac{1}{4}$%	
3-mo Trees Bills: Yld	4.469%	
Long Bond	$84\frac{5}{8}$	
Yield	7.559%	
NORTH SEA OIL (Argus)		
Brent 15-day (Sept)	$17.31	(17.845)
Gold		
New York Comex (Aug)	$385	(384.3)
London	$384.7	(386.3)

STERLING		
New York lunchtime:		
$	1.5275	
London:		
$	1.528	(1.5375)
DM	2.4379	(2.4231)
FFr	8.3403	(8.3084)
SFr	2.0668	(2.0464)
Y	150.838	(151.726)
£ Index	79.1	(79.0)

DOLLAR		
New York lunchtime:		
DM	1.5955	
FFr	5.4575	
SFr	1.35235	
Y	98.5	
London:		
DM	1.5955	(1.576)
FFr	5.4585	(5.4025)
SFr	1.352	(1.331)
Y	98.72	(98.685)
$ Index	63.4	(63.1)
Tokyo close Y 98.98		

CONTENTS

Legislation to deregulate Italy's labour market allows for temporary jobs

Rome budget revenue hurdle overcome

By Robert Graham in Rome

The Berlusconi government yesterday resolved one of the main issues holding up plans to find fresh revenues for the 1995 budget – a pardon for buildings constructed without proper planning permission.

At the same time the government has unveiled legislation for deregulating Italy's rigid labour market that introduces for the first time the principle of temporary jobs.

The cabinet failed to agree on the scope of the pardon on Thursday night because of objections from the Northern League that it would afford a blanket amnesty to many kinds of illicit construction and property speculation. As a result the matter was pushed on the agenda of yesterday's cabinet session.

The pardon, which will allow the proper registration of buildings and conversions, is expected to raise L5,400bn (£2.2bn) by the end of 1995. A further L12,000bn is expected to go to the city and municipal administrations concerned. It is estimated that up to 3m families could be affected: but in the previous such pardon in the mid-1980s, less than 10 per cent of the 8m requests were able to complete the required procedures.

The measure runs alongside an amnesty on a back-log of 3.2m tax assessment cases expected to generate most of the L15,000bn in new revenues for the 1995 budget. The cabinet confirmed it would aim to cut the 1994 budget deficit of L154,000bn to L138,600bn next year.

The cabinet also confirmed that key decisions on spending cuts in pensions would not be taken until after the summer recess. Confindustria, the industrialists confederation, while applauding the government's commitment to reducing the public sector deficit expressed disappointment at the postponement.

Confindustria also voiced reservations about the scope of measures approved to regulate the labour market. The measures introduce the principle of temporary employment and apprentice wages at below minimum rates. But since they were first discussed a month ago with the unions, they have been considerably modified.

The unions have managed to prevent a free hire and fire policy. Instead, temporary employment will be circumscribed by strict rules. For instance, employers can only resort to temporary employment where jobs are being added to a company payroll – not in substitution for existing jobs or where jobs have been shed. There are also limits on the number of temporary employees per company – 10 per cent of the workforce in companies with up to 500 employees – as well as a maximum time span of 12 months.

The government believes up to 200,000 jobs can be created through the new legislation. The unions are more sceptical. Much depends on how additional incentives for job hiring in southern Italy, the worst area for jobless, are applied. The draft law now goes to parliament and could be altered substantially there.

US and Russia disagree on Serbs

Mr William Perry, US defence secretary, yesterday disputed Russia's view that the Bosnian Serbs had responded positively to the international peace plan for Bosnia, Reuter reports from Zagreb.

Russia indicated it believed the Serbs had not rejected the proposals for the division of Bosnia. However, Mr Perry said yesterday: "It was not an acceptance of the plan and that is what the contact group had asked for." Russian officials said the Serbs' demand for more talks was "rather positive" and "not devoid of logic".

"We considered it not a positive answer but a disappointing answer and it is going to greatly complicate the path ahead," Mr Perry said yesterday after talks with Nato and UN peacekeeping commanders on military steps to impose the plan.

A "contact group" comprising the US, France, Britain, Germany and Russia has drafted a plan to split Bosnia almost evenly between the Serbs and a Moslem-Croat alliance.

"We would hope, sincerely hope, that between now and the July 30 meeting [of contact group foreign ministers] that the Bosnian Serbs will reconsider their answer and give them something more positive to work on at that meeting."

Bosnian Prime Minister Haris Siulajzdic said the time for talks was over now that the Serbs had rejected the plan. Asked if there was any way his side would negotiate with the Serbs over borders, Mr Silajdzic said: "The answer is no."

Mr Perry was completing a week-long trip through south-eastern Europe to assess military options in Bosnia after the Serb response.

"It was very important for me to get an assessment from them on the alternatives available at this stage... And it's important to understand the implications of going down one road or going down the other," Mr Perry said.

The group evaluated steps both in case of "the optimistic outcome" in which the Bosnian Serbs embraced the plan as is, and the alternative of a "negative reaction – the peace plan not being implemented" by Serbs, he said.

The Serbs did not reject the peace plan outright but attached conditions which would require substantial renegotiations. The Moslems and Croats have accepted but refuse any further bargaining.

Mr Perry's talks centred on a possible increase in international military pressure on Serbs to accept the peace plan - and how to implement any final peace.

The contact group has warned Serbs that international sanctions could be tightened against Serbia and the use of allied air power increased.

González tries to revive party's hopes

Will it be too little, too late for Spain's ruling Socialists? Tom Burns reports

Mr Felipe González, leader of Spain's ruling Socialists, yesterday set about reviving his party's political fortunes and to reinforce the moderate wing as the dominant force in Spanish politics.

Mr González, Socialist leader for almost 20 years and prime minister for nearly 12, opened a gathering of party leaders to address the spate of corruption scandals, the deep economic recession and the bitter divisions within the leadership that together led to a humiliating defeat for the party in last month's European parliament elections.

The prime minister will tell his federal committee that despite the government's dwindling credibility, he intends to stick to his current policies of economic stringency and to serve out his full term until 1997.

He will also continue to seek the support of the Catalan nationalists, whose votes in parliament ensure an outright majority for Mr González.

While there is optimism, mainly among the moderates, that Mr González can revive the party's standing, some believe he is doing too little too late.

Mr Joaquin Almunia, the party's parliamentary spokesman, said the meeting of the Socialists' 212-strong federal committee would round off a slow process of renewal that began when Mr González narrowly won a fourth term in general elections a year ago. This was reinforced in March, said Mr Almunia, when the moderates emerged as a clear majority at the party's first national congress since 1990.

Mr Carlos Solchaga, economy minister between 1985 and 1993, said: "I think Mr González should change the government but it is difficult to see how he can do that." Mr Solchaga resigned as parliamentary spokesman in May when the former governor of the bank of Spain, whom he had appointed, admitted tax evasion.

The prime minister's unswerving stand on economic policy is a victory for the party's moderates, the so-called renewal faction of moderates, of which Mr Almunia is the party's chief proponent, and a defeat for the left of the party grouped around its long-time deputy leader, Mr Alfonso Guerra. Mr Guerra was deputy prime minister between 1982 and 1991.

A protester demands "water, solidarity and justice" as he stands in a Madrid fountain yesterday. Thousands of farmers were demonstrating in favour of transfer of water to drought-stricken regions. AP

Sticking to current policies means restrictive budgets to reduce the deficit, instead of sustained public spending as the left would like. Courting the Catalans, who are politically on the centre-right and embrace the free market, means rejecting the Communist party-led United Left, who are viewed by the "Guerristas" as the natural allies of the Socialist party.

"The March congress made it clear that González would adopt our ideas," said Mr Almunia. "But renewal got held up by the corruption scandals, by regional party congresses, where the Guerristas tried to fight back, and by the European elections."

Two meetings this month, chaired by Mr González, of the party's 36-member executive commission set the stage for the effective takeover of the renewal faction of modernisers at yesterday's widened gathering of the Socialist leadership.

Mr Almunia and his friends will formally take over key positions in the party hierarchy and, crucially, the renewal wing will wrest control from the Guerristas on the commitee that vets the party's electoral candidates.

In the post-mortem delivered to the executive committee on the European elections, Mr González concluded that more damage had been done to the party by its erstwhile centrist supporters who had abstained or voted conservative, than by those who had switched their vote to the United Left ticket.

The message is to win back the centre vote as the economy recovers with a mix of social democracy and market-oriented orthodoxy. Some doubt this is possible, arguing that Mr González has still to deal firmly with the left in his party.

"When you have retreated back through the credibility threshold, and we have unfortunately done so, it is difficult to walk through it again and restore confidence," said Mr Solchaga. "There is a lot of 'Guerrismo' that has to be brushed away."

Another party member, within the renewal faction, put it more bluntly: "What is important is to get the Guerristas out before we lose the next elections, as we assuredly will. That way they won't be around to take control of the party when we're out of power."

Ukraine decree to crack down on crime

By Jill Barshay in Kiev

Mr Leonid Kuchma, the new Ukrainian president, signed a tough anti-crime decree as his first act in office, local newspapers reported yesterday.

Mr Kuchma's decree, signed on Thursday, was nearly identical to Russian President Boris Yeltsin's anti-crime decree last month. In Russia, the decree has raised concerns that new democratic freedoms are threatened, and that the decree could usher in a return of the old totalitarian, KGB-controlled state.

Mr Kuchma, who promised to crack down on government and business crime in his election campaign, said the broad expansion of police powers was necessary to "strengthen law and order in connection with the extraordinary, complicated criminal situation".

The Ukrainian decree permits police to hold suspected criminals for up to 30 days. Hotels, dormitories and other places where the government believes criminals gather may be raided without search warrants. Police and Security Service agents are granted the right to seize commercial documents from private companies. Half of the proceeds of raids on illegally-obtained property would go into law enforcement budgets.

Crime has risen sharply in Ukraine in recent years. In the first six months of 1994 alone, authorities say there have been 1,500 murders and 1,065 drug raids yielding about 11 tonnes of narcotics.

A US FBI official, in Kiev earlier this month, voiced concern that Ukraine was becoming a transit zone from Asia to western Europe in the international drugs trade. He noted that Russian criminal groups exerted a strong influence in Ukraine and often colluded with smaller Ukrainian rackets where profits were to be made.

For Mr Kuchma, the decree serves to launch his presidency on a strong note and to make good on his popular anti-corruption campaign promise.

In a further anti-crime move Mr Kuchma replaced the head of the Ministry of Internal Affairs with a 46-year-old organised crime and corruption specialist who has 22 years of experience in the Soviet KGB. Observers are asking if this is an indirect attempt to merge the police and security ministries into a single, powerful authority, as Mr Yeltsin unsuccessfully tried to accomplish in Russia.

Latvia relents over curbs on citizenship

By Leyla Boulton in Moscow

Latvia, the Baltic republic, yesterday bowed to international pressure to give up controversial quotas making it impossible for many of its non-Latvian residents to gain citizenship of the newly-independent country.

Latvia's Russian-speaking population increased sharply after the republic was annexed by Stalin in 1940. Last month, the government introduced draconian quotas for the naturalisation of non-Latvians born outside Latvia, in a long-delayed citizenship law.

The aim was to stop Latvians being outnumbered or threatened by non-Latvians, who today make up just under half of the population, as opposed to a quarter before the annexation.

But international organisations such as the Council of Europe, which Latvia wants to join as soon as possible, said Latvia had more democratic means at its disposal to protect its national identity and security.

Following the Latvian president's request that parliament re-examine the citizenship law, a new version passed yesterday is now likely to satisfy Latvia's critics in the west.

The law still requires that citizens know Latvian (a language which many Soviet-era immigrants never learned). But instead of imposing quotas on a whole category of the population, the law seeks to prevent "disloyal" individuals becoming citizens by banning the naturalisation of any residents previously involved with specific organisations hostile to Latvia's drive for independence. These include such organisations as the Union of Veterans of the Armed Forces of the USSR, as well as Communist groups or repressive bodies such as the KGB.

It also for the first time introduces a one-year deadline for Latvian officials, who have often been accused of arbitrariness and foot-dragging in the past, to process naturalisation applications. The new law is likely not only to speed Latvia's reintegration with the west, but to improve relations with Russia, which is due to complete a withdrawal of its troops from Latvia by the end of August. Possibly in response to domestic accusations that it was too "soft" on Latvia, Russia has suspended troop withdrawal from Estonia until the rights of the Russian-speaking minority there are assured.

Fears of summer violence in Paris

Hot weather brings threat of revived racial attacks, writes Alice Rawsthorn

The insalubrious suburbs of France's cities have long been prey to racial violence but last week's tragedy at Dreux, one of the poorest outer suburbs of Paris, sent shock waves around the country. Five armed youths drove into a ghetto area and fired indiscriminately at a group of North Africans, injuring 10 of them.

Dreux is already notorious for its high crime rate and social problems. Yet last week's violence, which ended with one of the armed youths being shot dead by the police, has fuelled fears that France is set for another summer of discontent in *les zups*, its deprived suburban ghettoes.

"The Dreux incident may just be the beginning," says Ms Sophie Body-Gendrot, professor of political science at the Sorbonne in Paris and an expert on urban problems. "The situation in some urban areas is now at breaking point."

Fresh violence would be a setback for the authorities, who have in recent years made progress in reducing unrest in *les zups*.

Summers have traditionally been difficult periods for France's deprived urban areas. "It's the time of year when tension tends to be at its highest," says Mr Henri Rey, a research fellow specialising in urban issues at L'Institut d'Etudes Politiques in Paris. "It's so hot, particularly in southern cities like Marseilles, that people open their windows at night so they're left fully exposed to the noise and promiscuity of living in cramped conditions."

The worst summer in recent times was in 1981, when Les Mingusttes, one of the most depressed suburbs of Lyons, erupted in a vicious race riot that triggered riots in other cities, notably Paris and Marseilles.

Successive governments and local authorities across France have since made heavy investments in trying to improve conditions.

Some of the old buildings, many flung up in the early 1960s to house North African immigrants entering France from its old colonies in large numbers, have since been renovated or replaced. There have also been efforts to create youth projects such as training centres and special summer initiatives such as extra sports facilities and seaside trips to keep potential troublemakers off the streets.

"These initiatives have had a positive effect," says Mr Rey. "There's still appalling poverty and violence in *les zups*. But the situation has improved since the early 1980s. People then thought that the French ghettoes would eventually become as bad as those of the United States. That hasn't happened and there seems to have been less violence in recent years."

However there is now concern that racial tension is rising again. The French recession has made life even more difficult in *les zups*, particularly for young people. The overall level of unemployment in Dreux is estimated at 15 per cent (against a national average of 12.7 per cent), but youth workers estimate that it is as high as 70 per cent for school-leavers.

Further, the pressure on government budgets has forced the Balladur administration to cut public expenditure in many areas, including urban programmes. Local finances are also under strain as many authorities struggle to repay the debts amassed in the 1980s.

As a result there is less money available for urban renewal initiatives and youth summer schemes. "It's impossible to assess the precise impact of the cuts, but conditions in some areas have deteriorated and one gets the impression that there's less for the kids to do this summer," says Ms Body-Gendrot. "Is that likely to undo some of the progress of recent years and to lead to more violence? Yes. I'm very much afraid that it will."

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 Copenhagen K. Telephone 33 13 44 41, Fax 33 93 53 35.

INTERNATIONAL NEWS DIGEST

Yeltsin makes concessions on privatisation

President Boris Yeltsin yesterday signed a decree ordering the continuation of Russia's privatisation programme but made unspecified concessions to deputies who had blocked the plans. The decree clears the way for a new stage of privatisation in which companies will be auctioned for cash following the completion of the sale of up to 70 per cent of manufacturing industry for vouchers distributed free to every Russian citizen. But Mr Vyacheslav Kostikov, the president's spokesman, said the decree, necessitated by parliament's failure to adopt the second stage of privatisation as ordinary legislation, took into account some of the deputies' objections. Although he gave no details, the changes are likely to give more leeway to local authorities and company employees in deciding how companies are privatised. The decree is also likely to drop proposals for the privatisation of land. After outright rejection of the plan for "post-voucher" privatisation at the start of this month, parliament this week failed to muster a quorum in support of the compromise version because many deputies had already gone on holiday. *Leyla Boulton, Moscow*

Vote on German troops

The German parliament voted yesterday to allow German troops to fight outside the Nato region, by 424 votes to 48. The decision, which was necessary to ratify the constitutional court ruling on German troops' role in the former Yugoslavia, was opposed by the Greens and former Communists. Mr Rudolf Scharping, of the opposition Social Democratic party, warned that Germany should not always fight when called on by its allies, and that German development programmes should not be replaced by overseas military action. Defence Minister Mr Volker Rühe said the high court decision "isn't a marching order" and denied that it would lead to Germany sending troops to every trouble spot. Mr Klaus Kinkel, foreign minister and leader of the Free Democratic party, accused the SPD of retreating into a false pacifism. "The lesson to be drawn from the Nazi era is that violence can often only be defeated by counter-violence," Mr Kinkel said. *AP, Bonn*

Seoul watches Hyundai strike

The South Korean government has decided not to intervene immediately in a strike at Hyundai Heavy Industries' shipyard, which has emerged as the country's biggest industrial dispute this year. The month-long strike at HHI, which has resulted in sales losses of $240m (£155m), stands in sharp contrast to the rapid settlement of other industrial disputes this year as labour militancy wanes in South Korea. The HHI workers are demanding a 12.6 per cent pay rise and an increase in other benefits, which would boost wage costs by $1.3bn for its 22,000 employees, according to the company. HHI workers are occupying shipyard facilities after the company announced a lock-out earlier this week. Officials warn, however, that the government could order the ejection of the workers from the shipyard if the strike threatens to spread to other companies in the Hyundai group, Korea's largest industrial conglomerate. *John Burton, Seoul*

Treuhand deal on Eko Stahl

The Treuhand privatisation agency yesterday agreed to provide a fresh financing package for Eko Stahl, eastern Germany's loss-making steel mill, until the end of the year. However Mr Wolf Schöde, spokesman for the agency, confirmed it was hoping to sell the mill in the autumn, after Riva, the privately-owned Italian steel manufacturer, pulled out of a contract to buy Eko Stahl in May. Mr Schöde said Eko Stahl would receive DM50m (£20.6m) to cover losses, adding that the European Commission had already been told and he was "not pessimistic" that the grant would be accepted by Brussels. The Commission last month started proceedings concerning the legality of state aid to Eko Stahl. *Judy Dempsey, Berlin*

UN backs forces for Georgia

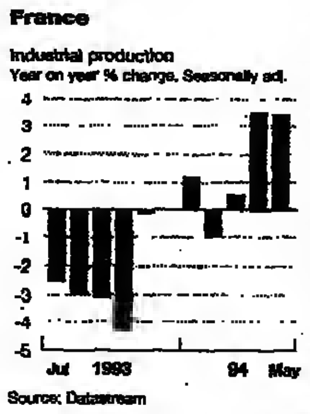
The UN Security Council has given its blessing to a controversial Russian peacekeeping force in Georgia on condition that UN military officers monitor the operation. This is aimed at enforcing a truce between the former Soviet republic and its dissident province of Abkhazia. The US, Britain and France joined Russia in sponsoring the UN resolution welcoming the intervention by 3,000 Russian troops. Its adoption was facilitated by a change of heart by Mr Edouard Shevardnadze, who now has asked for Moscow's help. Troops from other former Soviet republics may join the Russian operation. *Michael Littlejohns, New York*

Stoppage hits France flights

Dozens of flights were cancelled and hundreds of passengers stranded at airports yesterday as air traffic controllers in the Aix-en-Provence region of southern France began a three-day strike. The stoppage, which comes on one of the busiest weekends of the year for air travel at the start of the summer holiday season, involves some 100 controllers at the airports in Marseilles, Nice, Montpellier and Corsica. The strike was called following a breakdown in talks over pay and working conditions. Only 100 flights left Nice out of the usual 250. Some 1,000 passengers were stranded in Corsica because of cancellations and delays. Flights to and from airports outside the region were also disrupted because the Aix-en-Provence controllers cover the busy routes from northern Europe to North Africa, Spain and the Balearic Islands. *Alice Rawsthorn, Paris*

ECONOMIC WATCH

French recovery accelerating



Further evidence emerged yesterday of an acceleration in France's economic recovery with a 2.2 per cent increase in manufacturing output in May compared with April and of a 23.1 per cent increase in the number of housing starts in the first half of 1994 against the same period of 1993. Mr Edmond Alphandéry, economy minister, recently forecast 1 per cent growth for the second quarter of 1994, against 0.5 per cent for the first quarter, and predicted that France would achieve 2 per cent growth in 1994 rather than the original official forecast of 1.4 per cent. The 2.2 per cent increase in May's manufacturing output contributed to an overall 0.3 per cent rise in industrial production during the month, according to Insee, the state statistics institute. Meanwhile, the 23.1 per cent rise in first half housing starts, to a total of 153,600, according to the Housing Ministry, boded well for the construction and property sectors, both been badly affected by the recession. *Alice Rawsthorn, Paris*

■ Germany recorded a current account deficit of DM6.1bn (£2.5bn) in May, wider than the revised DM1.1bn deficit in April, the Federal Statistics Office said. April's deficit was originally estimated at DM1.8bn. Germany's trade surplus contracted to DM5bn in May, from a revised surplus of DM6.7bn in April and DM5bn a year earlier. In the five months to May, the current account deficit was DM15.9bn, compared with DM14.2bn a year earlier, and a trade surplus of DM29bn (DM15.7bn). *AFX, Wiesbaden*

■ China's foreign exchange reserves rose by $1.7bn in 1993 to $21.2bn, the official China Daily reported. Reserve assets grew by $1.7bn in 1993, the report said, citing figures from the State Administration of Exchange Control. *AP, Beijing*

President denies new strategy on bill constitutes a retreat

Clinton team agrees stand on healthcare

By Jurek Martin in Washington

President Bill Clinton and Democratic party leaders yesterday agreed on a new strategy for the healthcare reform bill that would, the president insisted, still meet his basic goals, including universal medical insurance cover.

Only the most general outlines of the Democrats' thinking were immediately available. But Senator George Mitchell, the majority leader, said: "Our plans will be less bureaucratic, more voluntary and will be phased in over a longer period".

Mr Clinton argued that the new approach, outlined after a White House session on Thursday night, did not constitute a retreat as there was agreement on the overriding objectives. These he defined as universal cover, quality and choice of medical care, emphasis on preventative and primary treatment, and cost containment.

He did not mention the controversial issue of requiring employers to finance the lion's share of the insurance premiums of their workforces, but said he had long been flexible on the details.

With the stage now set for the climactic debate in Congress, "now is the time for those with a better idea to come forward", he added.

Essentially, the president, Mr Mitchell, Congressmen Tom Foley, Speaker of the House, and Richard Gephardt, its majority leader, were confronted with a legislative impasse.

None of the bills reported out by various congressional committees commands majority support, nor does the modest alternative reform plan offered by the Republicans.

To deal with this, Mr Mitchell said he hoped to have a new draft bill ready to take to the floor of the Senate by the end of next week. It will seek to reconcile the large differences in bills already reported out by the Senate finance and health committees.

The House has scheduled a vote in the week beginning August 8, just before the summer recess.

Mr Clinton has been hinting at flexibility all week, if not all month. Having threatened to veto any bill that did not contain universal cover, he told state governors on Wednesday that 95 per cent coverage could be tantamount to universal cover. But on Thursday he took a tougher line and continued to insist that the only alternative to the so-called employer mandates was higher taxation.

US court win for tobacco industry

By Richard Tomkins in New York

US tobacco manufacturers have won a court case allowing them to challenge a federal government claim that passive smoking - the inhalation of other people's cigarette smoke - can kill.

If the manufacturers' lawsuit succeeds, it will remove one of the most important foundations of the anti-smoking movement in the US. Public and private sectors alike have used the government's declaration as the basis for widespread smoking bans in buildings and public places.

The government made its assertion in January last year when the Environmental Protection Agency issued a report titled Respiratory Health Effects of Passive Smoking: Lung Cancer and Other Disorders.

The report said passive smoking increased the risk of illnesses such as lung cancer and it was a contributory cause of asthma, pneumonia and bronchitis in children. Its most important conclusion was that passive smoking killed 3,000 non-smokers a year, and it classified second-hand smoke as a class A carcinogen.

However, many smokers say the EPA was determined to show passive smoking killed and manipulated the evidence to suit conclusions it had already made.

The two biggest US tobacco manufacturers, Philip Morris and R.J. Reynolds, have joined with four other tobacco industry plaintiffs in bringing a lawsuit against the Environmental Protection Agency seeking a declaration that the agency's risk assessment should be declared null and void.

They say the agency ignored its own scientific guidelines, overstepped its regulatory authority, used faulty science and improper procedures to arrive at its conclusion, and "cherry picked" data by ignoring newer and larger studies contradicting its conclusion.

The agency sought to have the case dismissed, contending their risk assessment was not final agency regulation and was not subject to judicial review. But a US district court in North Carolina this week threw out the agency's case, paving the way for an examination of its conduct in court.

Japan seeks to allay Seoul's fears

By William Dawkins in Tokyo

Mr Tomiichi Murayama, Japan's new left-wing prime minister, will today visit Seoul to try to reassure South Korea that it can still count on his country's support.

Mr Murayama's Social Democratic party has closer links to North Korea than any other political group in the democratic world and formally refuses to recognise South Korea as a sovereign state.

His tacit recognition of South Korea marks the latest step in the SDP leadership's abandonment of most of its traditional policies, in evolving over the past year from a party of opposition to one of government.

That process came to a climax last month when Mr Murayama became Japan's first Socialist prime minister for 47 years.

The South Korean visit, the first since the new government took power at the end of June, is the opening stage of a tour of five south-east Asian countries over the next week.

Mr Murayama will be accompanied by Foreign Minister Yohei Kono, president of the conservative Liberal Democratic party which is the dominant party in the three-member coalition. The trip includes Vietnam – the first official visit there by a Japanese prime minister for 21 years – Singapore and the Philippines.

Mr Murayama would explain to South Korean President Kim Young Sam the complexities of Japan's new coalition government and would seek to assuage fears about his new regime, a Japanese Foreign Ministry official said.

Japan's Asian policies were unchanged and Tokyo would continue to press for a negotiated settlement of the dispute over whether or not North Korea was illicitly making nuclear weapons, the official added.

Mr Murayama will continue Japan's policy of apologising for its war record in mainland Asia and is expected to tell President Kim of a plan to spend Y100bn (£653.59m) over the next decade on academic studies of war history and youth exchange.

Mr Murayama's Asian visit comes as the yen's recent strength has increased pressure on Japanese companies to shift more production capacity to cheap locations in neighbouring countries.

Japanese investments in the rest of Asia rose three-fold in the seven years to 1993, so that the region's share of Japanese foreign investment will reach 37.5 per cent this year, according to government figures. This has been accompanied by a sharp growth in trade, so that Japan's trade surplus with Asia last year surpassed the gap with the US for the first time.

LDP changes mind over N-arms rally

Japan's odd ruling couple yesterday showed conjugal give and take when the conservative Liberal Democratic party agreed, for the first time, to take part in a rally against nuclear arms, writes William Dawkins.

Mr Yoshiro Mori, LDP secretary general, said the party had accepted an invitation from its new coalition partner and former adversary, the left-wing Social Democratic party, to send representatives to the demonstration in Hiroshima next month.

The LDP's gesture to the anti-nuclear left came two days after Mr Tomiichi Murayama, SDP prime minister, made an unprecedented gesture to the pro-military right by abandoning his party's belief that Japan's defence forces were unconstitutional.

"The banning of nuclear weapons is a common theme among the people of the world and, as the only nation to have suffered from atomic bombing, Japan must be serious about this spirit," Mr Mori said.

The annual rally, organised by the Japan Congress Against Atomic and Hydrogen Bombs, starts on August 3 and ends three days later on the anniversary of the atomic bombing of Hiroshima. Until this year the LDP had refused to attend, on the grounds that it was organised by the Socialist opposition, with which it formed a government last month.

The LDP does, however, attend memorial ceremonies at Hiroshima on August 6 and at Nagasaki on August 9. Nagasaki was also bombed in 1945.

In another gesture to its left-wing allies, the LDP said yesterday that it had shelved plans to rewrite Japan's US-drafted pacifist constitution.

However, Mr Yohei Kono, LDP president, said there would be no change in the party's resistance to another Socialist demand, for better government medical help for the 340,000 registered *hibakusha*, people of Hiroshima and Nagasaki suffering from radiation sickness. The Socialists also argue there are a large number of unregistered victims deserving state assistance.

US tight lipped on Mideast initiative

By Mark Nicholson in Cairo

Mr Warren Christopher, US secretary of state, yesterday completed in Damascus his third Middle East shuttle this year, promising to return to the region soon.

He declined to reveal the substance of talks he held with President Hafez al-Assad, the Syrian leader.

A Syrian government spokesman said Mr Assad had "listened to ideas" Mr Christopher had brought from Israel on unlocking the impasse over the Golan Heights and had "expressed readiness to discuss steps" to move the process forward.

As on previous visits to Damascus, neither Syrian nor US officials have revealed the contents of what diplomats in the region believe are detailed, but slow-moving negotiations between the two sides. Mr Christopher visited Damascus twice during this week's initiative, which coincided with the start of detailed negotiations on border, water and security issues between Israel and Jordan.

Meanwhile, King Hussein of Jordan yesterday left Amman for Washington where he is set to hold his first public meeting with Mr Yitzhak Rabin, Israel's prime minister, at the White House on Monday. The summit will symbolise accelerated progress in Israeli-Jordanian talks.

● Israel for the second time this week yesterday barred a member of the Palestinian self-rule administration from entering Jerusalem, the Israeli army said, Reuter adds from Jerusalem.

An army spokeswoman said Mr Mohammed Zuhdi al-Nashashibi, who holds the finance portfolio in the Palestinian Authority in Gaza and Jericho, was stopped as he tried to drive into Jerusalem from the Jericho self-rule enclave. "He [Nashashibi] wanted to enter Jerusalem from Jericho but he didn't have permission so was told to go back," she said.

Farouq al-Shara (right), Syrian foreign minister, greets Warren Christopher on his arrival in Damascus for peace talks Reuter

Raytheon secures deal to monitor Amazon

By Patrick McCurry in Sao Paulo

A consortium led by the US electronics company and defence manufacturer Raytheon has won a $1.1bn (£700m) contract to build a technological surveillance system in the Amazon rain forest.

The Brazilian government rejected a French bid, represented by Thomson and Alcatel, to supply and install the Amazon Surveillance System (Sivam).

A statement from the Brazilian president's office on Thursday evening said the Raytheon tender was technologically and financially superior.

The contract includes the supply of radar equipment, aircraft and communication networks, which will be used to monitor the Amazon for environmental research, including deforestation, as well as for airspace and border control and combating drug trafficking in the region.

The Raytheon consortium includes MacDonald Dettwiler of Canada, Westinghouse Electric, the University of New Hampshire and the Brazilian operations of IBM.

It also includes the Brazilian government-controlled aircraft manufacturer Embraer.

The Brazilian government will receive eight years grace on payment and a further 10 years to pay for the contract, which will be financed by the US Eximbank, according to Mr Esteve Ortis, president of Esca, the Brazilian company coordinating the project.

Mr Ortis said that the financing proposals offered by both consortiums were "unbelievably good."

Brazilian companies, particularly Embraer, will be responsible for supplying about 40 per cent of the contract value, he said.

The US and French bids were shortlisted in May after the government rejected tenders from the US's Unisys Corp and a joint bid by Germany's Deutsche Aerospace and Italy's Alenia.

Both the US and French governments lobbied strongly for the contract. Last October Mr Gerard Longuet, French trade and industry minister, visited Brazil and last month Mr Ron Brown, US secretary of commerce, led a trade mission to the country.

The Sivam project is described by the Brazilian government as "the largest and most complex attempt to monitor the environment anywhere in the world."

It will be made up of a network of fixed and mobile radar, aircraft and satellite monitoring and a communications network. The system will be controlled from the capital Brasilia, with centres in the towns of Manaus, Belem and Porto Velho.

Caldera defiant over suspension of rights

By Joseph Mann in Caracas

Venezuela's President Rafael Caldera yesterday suspended constitutional freedoms a day after Congress had ordered them restored, according to Interior Minister Ramon Escovar Salom.

Congress voted on Thursday night to restore five out of six constitutional rights suspended on June 27 by Mr Caldera, overriding strong protests from the executive. The original suspension needed to be approved by Congress.

But the president yesterday called a special cabinet meeting to discuss the move, after which Mr Salom reported that he had decided to suspend the constitutional guarantees once again.

Citing a critical economic and financial situation in the country, President Caldera last month decreed the suspension of three civil rights and three economic rights established under the constitution. The civil rights protected against arbitrary arrest and imprisonment and ensured the inviolability of a citizen's home and free movement in and outside national territory. The economic rights protected the freedom to engage in any legal economic activity, the ownership of property and against expropriation without due process and indemnity.

In a marathon session of both the Chamber of Deputies and the Senate, a majority voted to restore all rights except that of the freedom to engage in legal economic activity.

Three opposition political parties – Democratic Action (social democrats), Copei (Christian democrats) and Radical Cause (a leftist group) – formed a bloc to back restoration of the five rights. The two parties supporting President Caldera, Convergence and the socialist MAS, walked out of the congressional chamber during the vote.

Over the week, members of Mr Caldera's cabinet met congressmen to argue for continued suspension of the rights. The suspension was also supported by the military and security services.

However, opposition congressmen argued that existing legislation allowed the executive sufficient powers to confront the country's problems.

Since the rights were removed, police and soldiers have raided scores of food stores, arresting owners for alleged profiteering and confiscating merchandise allegedly "hoarded". Police have also raided slum cities, detaining hundreds of people suspected of criminal activities.

Officials have also seized property belonging to individuals and companies linked to Banco Latino.

Chinese dream sours for high-flying entrepreneur

The detention of 'Jimmy' Peng on suspicion of corruption has turned the spotlight on a secretive and primitive legal system, writes **Simon Holberton**

For the past nine months, Mr James Peng, a China-born Australian businessman, has been held without charge on suspicion of "corruption" in Shenzhen's Meiling detention centre in southern China. If Mr Peng is found guilty of corruption he faces a minimum prison term of 10 years and possibly the death penalty.

The fate of "Jimmy" Peng, 35, is the story of an entrepreneur who flew too high and was brought down by a Chinese legal system still secretive in its methods and primitive in its treatment of suspects.

For a time Mr Peng was a local hero. His company Champaign, a textile, property and trading group, was the first Sino-foreign joint venture listed on a Chinese stock exchange. In 1991 he almost pulled off the HK$1.14bn (£96.6m) sale of his controlling interest in Champaign to Lolliman, a Hong Kong property investment company. But the deal came unstuck.

And late at night on October 13 last year, Mr Peng was taken from the Mandarin Oriental in Macao by the police and handed over to the Chinese police, in an arrest which has raised international concern.

On June 9, after repeated demands by the Australian government for an explanation, the Macao government said Mr Peng had consented to his return to China to answer charges of corruption. But a spokesperson for the Australian department of foreign affairs and trade said last week that Canberra was dissatisfied with Macao's response.

On June 20, Senator Gareth Evans, Australia's foreign minister, wrote to his opposite number, Mr Qian Qichen, expressing the Australian government's "deep concern" at China's handling of the case.

Under China's criminal code a suspect can be held for two months without charge, unless the National People's Congress, China's parliament, gives written authorisation for an extension. On Thursday, the semi-official Hong Kong China News Agency quoted an unnamed official from the Shenzhen People's Procuratorate saying that Mr Peng's detention had been approved by the NPC and was "strictly within legal limits".

Mr Peng's problems appear to relate to his ownership of Champaign.

In 1987 he acquired the loss-making Shenzhen Yuan Ye Textiles company and the Shenzhen government approved its conversion into a Sino-foreign joint venture with Mr Peng's Panco Industrial, a Hong Kong-registered private company, owning 83 per cent of its Yn20m (£1.5m) registered capital. This joint-venture company was listed on the Shenzhen stock exchange in March 1990 as Champaign.

Between 1987 and 1990 Mr Peng appears to have performed wonders, with Champagne's audited profits before tax at Yn31.4m in 1990. But he also angered local officialdom with some deft financial footwork.

In July 1988, according to an August 1993 report by a committee established by the Shenzhen government to restructure Champaign, one shareholder, Xinye, a state-owned company, converted its ordinary shares into preference shares. Xinye did this for an entitlement to dividend payments capped at a total of Yn350,000.

Two months later Mr Peng revalued the company's assets. This increased Yuan Ye's net worth by Yn25.7m and give Panco a windfall gain of Yn24.6m on its investment.

The Shenzhen government's 1993 inquiry found that "this action of revaluation resulted in injury to the state."

The first inkling that Mr Peng might be in trouble came in 1991 when he tried to sell Panco (which then owned about 51 per cent of Champaign) to Lolliman. Lolliman was well connected in China and was sold last year to the People's Liberation Army and renamed Poly Investments.

But the proposed sale to Lolliman, unveiled in June 1991, fell through in July. Lolliman cited complexities relating to the auditing of Panco's interests in Shenzhen. Press speculation suggested the Shenzhen government had intervened to stop the deal.

This was also suggested by Mr Peng in a letter he wrote to the Australian consul in Guangzhou on September 28 last year from his home in Sydney.

By the beginning of 1992, Mr Peng says, he was negotiating with the Shenzhen office of the People's Bank over the sale of nearly half of Panco's interest in Champaign when first the Shenzhen government and then the People's Bank called off the talks.

'Jimmy' Peng: a local hero

The central bank sent in inspectors and seized Champaign's accounts. Champaign's bank accounts were frozen and the People's Bank stated that no bank would be allowed to realise its security against Panco's mortgaged Champaign shares.

This rendered unsecured loans that were previously secured. As a result, on June 20 the Industrial and Commercial Bank of China (ICBC) sued Champaign in the Shenzhen Intermediate People's Court for the recovery of a Yn20m loan. The bank also alleged that Panco was not the legal owner of its interest in Champaign in view of share trades which occurred in 1988.

The People's Bank sequestered Panco's investment in Champaign. Mr Peng stepped down as chairman of both Panco and Champaign in an attempt to take some of the heat out of the dispute.

On December 18 the Shenzhen court voided Champaign's loan agreement with ICBC – even though Panco had paid off the debt before the hearing began – on the basis that Panco's ownership of its Champaign shares was illegal. Panco appealed to the Guangdong Higher People's Court.

At the beginning of May last year the Guangdong court overturned the Shenzhen court's ruling. The court found that Panco did have legal title to its shares in Champaign and could therefore use them as collateral for a loan. However, it ordered ICBC to hand over the Champaign shares in its keeping to the Shenzhen Securities Regulatory Office "for further handling" because the Shenzhen authorities had already decided to "reorganise" Champaign.

At this point Deng Xiaoping's niece, Ms Ding Peng, appeared on the stage. Mr Peng says in his letter to the Australian consul that he hired Ms Ding – the daughter of Mr Deng Ken, the younger brother of Mr Deng – "to more efficiently facilitate communications with officials in Shenzhen".

According to Mr Peng's wife, Lina, relations with Ms Ding appeared to be warm. Last week she said that her husband paid Ms Ding HK$100,000 a month and provided her with an office in Hong Kong.

In his letter to the Australian consul, Mr Peng says that Ms Ding and a Mr Zheng Lie Lie, were hired to lead Panco's discussions with the Shenzhen government-appointed Champaign Restructuring Group. In apparent defiance of the Guangdong court ruling, Shenzhen proceeded with its restructuring of Champaign in spite of the superior court ruling that Panco's ownership of Champaign was legal.

In the midst of these talks Mr Peng discovered that Ms Ding and Mr Zheng were attempting secretly to transfer Panco's shareholding in Champaign, valued at HK$450m, to a company they owned prior to its resale to China Investments, one of Hong Kong's lesser "red chips" (the mainland equivalent of a "blue chip" stock).

Mr Peng and associates immediately sought and obtained a Hong Kong High Court injunction preventing the share transfer. However, developments across the border were once again moving against him.

On September 5 last year the Shenzhen government convened a meeting of Champaign's shareholders. Although Mr Peng alleges in his letter to the Australian consul that a quorum was not present, the meeting voted to confiscate Panco's shareholding in the company and divide it between Shenzhen Municipal Development (Holdings), and Hong Kong China Project, a company on whose board of directors sits Ms Ding.

Mr Peng immediately lodged a suit against the Shenzhen government with the Shenzhen Intermediate Court but, to date, it has refused to accept his application. Weeks after this suit was lodged Mr Peng was detained in Macao and handed over to the Shenzhen police.

For corporate lawyers, the way local Shenzhen officials and others have combined to confiscate Mr Peng's assets has caused alarm.

"The Shenzhen authorities have shown a flagrant disregard for the rights of shareholders and creditors, which are the basic rights enshrined in all company law," says a Hong Kong lawyer. Furthermore, his case is cautionary for ethnic Chinese businessmen who are nationals of another country.

The stakes were raised last week when Mr Peng's wife Lina decided to publicise her family's relationship with Ms Ding. To implicate such a close relative of Mr Deng Xiaoping's in this way could invite harsher treatment of her husband. An adviser to Lina Peng agreed that it was a high-risk move – "but it's been nine months that he's been detained and Lina has been through most of the low-risk strategies," he said.

C&G leads on profit per customer

By Alison Smith

Cheltenham & Gloucester Building Society made an average of £82 profit out of each of its 1.4m customers last year, according to analysis carried out by Datamonitor, the market research group.

This made it the society profiting most from its customsr base. The next most profitable per customer was Woolwich Building Society, the UK's third largest, which made an average of £39 out of each its 4.2m customers. It was the most successful at generating commission income through its branches.

The research into the different strategies adopted by societies for their branch networks revealed that the way the network was run was unprofitable for some societies.

Tha figures suggest that Leeds & Holbeck made a loss of £24 a customer on its branch network last year, whila Nationwide, the second-largest society by asset size but with the largest branch network, made a £13 loss per customer.

They also show that for a significant minority of societies analysed, the branch network was broadly neutral in terms of profit last year.

Datamonitor said yesterday that the calculations took account only of the profitability of societies' branches, and not of profits from other aspects of their activities.

PROFIT PER CUSTOMER

Retail profit (loss) per customer	£
Nationwide	(13)
Halifax	22
Woolwich	39
Leeds Permanent	2
Alliance & Leicester	1
Bradford & Bingley	(1)
Britannia	8
Cheltenham & Gloucester	82
Bristol & West	24
Yorkshire	35

(National & Provincial figures not available)

Source: Datamonitor

Although C&G is the sixth largest society by assets, it has only 236 branches and mortgage centres, contributing to a low cost-income ratio. It is the object of an agreed cash bid of £1.8bn from Lloyds Bank.

Datamonitor said its research showed Halifax, Alliance & Leicester and Nationwide, three of the four largest societies, had relatively low commission income per customer bnt higher numbers of customers per hranch, while other societies concentrated on generating higher levels of net commission per customer.

Halifax is to set up its own life insurance operation from the start of next year, and Nationwide announced in May that it too intended to set up life insurance and unit trust subsidiaries.

Datamonitor saw the greatest scope for percentage increases in generating new net income for A&L and Nationwide.

Shephard to focus on training for young

By David Owen and Lisa Wood

Mrs Gillian Shephard aims to make the improvement of academic and vocational training for students of 16 and over one of her top priorities at tbe Department for Education.

As fresh details of changed ministerial responsibilities emerged yesterday in the wake of this week's reshuffle senior aides of the new education secretary said she was keen to focus on the 16-plus age-group which had been "traditionally neglected". Mrs Shephard was "passionately concerned" ahout the education of all students aged 16 and above whatever their ability, the aides said.

Mrs Shephard's system of priorities may spark a change of culture at her new department, which has long favoured the academic rather than the vocational.

As a former employment secretary Mrs Shephard is acutely aware of the workplace dimension and is likely to accelerate developments which encourage what is called "parity of esteem" between vocational and academic qualifications.

She is also likely to question her department's strategy of setting aggressive targets for pupils staying on at school, and whethsr the work-based route is better for some.

She is expected to welcoms the planned introduction of qualifications which assess practical skills into schools.

It was Mrs Shephard who startsd work at the Department of Employment on the "modsrn apprenticeship" – a work-hased training alternative to staying on at school – which will be introduced next year.

She was also a keen advocate of a "universal credit" being offered to all young people at 16, whsther staying on at school or leaving to take a training place on Youth Training, the government's main training acbeme for unemployed young people.

Mrs Shephard's other priorities at the department are expected to include nursery education and re-establishing what her aidea dsscribe as the "constructive" dialogue she enjoyed with trade union leaders as employment secretary.

Details of ministerial responsibilities in the Department of Trade and Industry and the Ministry of Agriculture Fisheries and Food were published yesterday.

At the DTI, Lord Ferrers, the former home office minister, will assume responsibility for small companies and consumer affairs, while Mr Tim Eggar will take on the Post Office in addition to his energy-related duties. Mr Charles Wardle, another former Home Office minister, will provide support for Mr Eggar. Mr Ian Taylor will have responsibility for telecommunications and some trade matters.

Mrs Angela Browning, another new minister, will succeed Mr Nicholas Soames as food minister.

Ashley Ashwood

Tony Blair at London's Savoy Hotel yesterday with Thabo Mbeki, South African deputy president

Blair tells unions not to expect special access

By Kevin Brown, Political Correspondent

Mr Tony Blair yesterday warned union leaders not to expect privileged access to the next Labour government and suggested that only millionaires would pay more tax.

As cabinet ministers launched a vitriolic attack on the new Labour leader Mr Blair set out his vision for the party in a series of interviews charting his coursa for the centre ground of British politics.

He firmly slapped down Mr Ken Livingstone, the only left-wing MP openly to criticise his election, and dismissed forecasts of a clash on employment policy with Mrs Margaret Beckett, the former deputy leader who he beat in the leadership ballot.

Mr Blair told BBC radio that unions would have no more influence over the next Labour governmeot than employers, in spite of the unions' constitutional rols in the Labour party.

He said: "Trade unions will have no special or privileged place within the Labour party. They will have the same access as the other side of industry. They are not going to be told that they are not a part of our society. But we are not running the next Labour government for anyone other than the people of this country."

Mr Blair went out of his way to reassure hetter-off votars that Lahour had abandoned the "soak-the-rich" approach of the 1970s, and had no plans for a return to penal taxation.

Using language calculated to demonstrate the depth of change in Labour's approach, he pledged: "I am not anti-wealth. If someone goes out through hard work and graft and makes themselves a millionaire, good luck to them.

"But it is right, in that set of circumstances, that they should not be able, by hiring the right accountants, to avoid paying tax altogether."

But, he said, the number of top-rate taxpayers had tripled under the Conservatives to include primary school teachers and policemen, who could not be called rich.

"That is not what the Labour party is talking about at all," he said. The objective was to tax those who "end up paying virtually no tax or can use offshore trusts or tax shelters not to pay their fair share".

Mr Blair was clearly irritated hy Mr Livingstone's claims that the "lovey creatures and the spin-doctors" running the party had avoided substantive policy issues in the election campaign.

Mr Malcolm Rifkind, defence secretary, dismissed Mr Blair in a speech in Edinburgh as a "political mannequin". Mrs Virginia Bottomley, health secretary, described his election campaign as "candy floss".

The people who guide British policy

THE CABINET

Prime minister	John Major
Leader of the Commons	Tony Newton
Leader of the Lords/Lord Privy Seal	Viscount Cranborne
Lord Chancellor	Lord Mackay of Clashfern
Chancellor of the Exchequer	Kenneth Clarke
Home secretary	Michael Howard
Foreign and commonwealth secretary	Douglas Hurd
Trade and industry secretary (president of the Board of Trade)	Michael Heseltine
Chancellor of the Duchy of Lancaster	David Hunt
Education secretary	Gillian Shephard
Defence secretary	Malcolm Rifkind
Scottish secretary	Ian Lang
Welsh secretary	John Redwood
Health secretary	Virginia Bottomley
Social security secretary	Peter Lilley
Northern Ireland secretary	Sir Patrick Mayhew
Minister of agriculture, fisheries and food	William Waldegrave
Transport secretary	Brian Mawhinney
Employment secretary	Michael Portillo
Environment secretary	John Gummer
National heritage secretary	Stephen Dorrell
Chief secretary to the Treasury	Jonathan Aitken
Minister without portfolio (party chairman)	Jeremy Hanley

MINISTERS OUTSIDE THE CABINET

Agriculture: minister of state - Michael Jack; undersecretaries - Earl Howe, Angela Browning.
Defence: ministers of state - Roger Freeman, Nicholas Soames; undersecretary - Lord Henley.
Education and Science: minister of state - Eric Forth; undersecretaries - Tim Boswell, Robin Squire.
Employment: minister of state - Ann Widdecombe; undersecretaries - James Paice, Phillip Oppenheim.
Environment: ministers of state - David Curry, Robert Atkins Viscount Ullswater; undersecretaries - Robert Jones, Sir Paul Beresford.
Foreign Office: ministers of state - Baroness Chalker, Douglas Hogg, Alastair Goodlad, David Davis; undersecretary - Antony Baldry.
Health: minister of state - Gerald Malone; undersecretaries - Baroness Cumberlege, Tom Sackville, John Bowis.
Home Office: ministers of state - David Maclean, Baroness Blatch, Michael Forsyth; undersecretary - Nicholas Baker.
Law Officers: attorney-general - Sir Nicholas Lyell; solicitor-general - Sir Derek Spencer.
Lord Advocate's Department: Lord Advocate - Lord Rodger.
Lord Chancellor's Department: undersecretary - John Taylor.
National Heritage: undersecretaries - Iain Sproat, Viscount Astor.
Northern Ireland Office: ministers of state - Sir John Wheeler, Michael Ancram; undersecretaries - Baroness Denton, Tim Smith.
Office of Minister for the Civil Service and Office of the Chancellor of the Duchy of Lancaster: undersecretary - Robert Hughes.
Scottish Office: minister of state - Lord Fraser of Carmyllie; undersecretaries - Allan Stewart, Sir Hector Monro, Lord James Douglas Hamilton.
Social Security: ministers of state - William Hague, Lord Mackay of Ardbrecknish; undersecretaries - James Arbuthnot, Roger Evans, Alistair Burt.
Trade and Industry: ministers of state - Timothy Eggar, Richard Needham, Earl Ferrers; undersecretaries - Ian Taylor, Charles Wardle, Neil Hamilton.
Transport: minister of state - John Watts; undersecretaries - Viscount Goschen, Steven Norris.
Treasury: financial secretary - Sir George Young; paymaster-general - David Heathcoat-Amory; economic secretary - Anthony Nelson.
Welsh Office: undersecretaries - Roderick Richards, Gwilym Jones.
Whips' Office: chief in Commons - Richard Ryder; deputy chief whip - Greg Knight; Comptroller of the Household - David Lightbown; vice-chamberlain of the household - Sydney Chapman; whips - Tim Wood, Timothy Kirkhope, Andrew Mackay, Andrew Mitchell, Derek Conway; assistant whips - Bowen Wells, Simon Burns, David Willets, Michael Bates, Liam Fox; chief in Lords - Lord Strathclyde; deputy chief whip - Earl of Arran; whips - Viscount Long, Baroness Trumpington, Lord Lucas, Baroness Miller of Hendon, Lord Inglewood.

MINISTERIAL COMMITTEES OF THE CABINET

Committee on economic and domestic policy
Terms of reference: strategic issues relating to economic and domestic policies. Prime minister (chairman); chancellor of the Exchequer; home secretary; trade and industry secretary; Lord Privy Seal; Lord President of the Council; environment secretary; Welsh secretary; Chancellor of the Duchy of Lancaster; Scottish secretary; Northern Ireland secretary; employment secretary; chief secretary, Treasury.
Other ministers will be invited to attend for items in which they have a departmental interest.

Committee on defence and overseas policy
Terms of reference: defence and overseas policy. Prime minister (chairman); foreign secretary; chancellor of the Exchequer; trade and industry secretary; defence secretary; attorney-general.
The chief of defence staff and the chief of staff will attend when necessary.

Ministerial committee on the Gulf
Terms of reference: to review developments in the Gulf region and to co-ordinate any necessary action.
Prime minister (chairman); foreign secretary; defence secretary; attorney-general.
The chief of defence staff and the chief of staff will attend when necessary.

Committee on nuclear defence
Terms of reference: government policy on nuclear defence. Prime minister (chairman); foreign secretary; chancellor of the Exchequer; defence secretary.

Committee on European security
Terms of reference: defence and security in Europe.
Prime minister (chairman); foreign secretary; chancellor of the Exchequer; defence secretary.

Committee on Hong Kong and other dependent territories
Terms of reference: implementation of agreement with China on future of Hong Kong and the implications of that agreement for the government of Hong Kong and the well-being of its people; policy toward other dependent territories. Prime minister (chairman); foreign secretary; chancellor of the Exchequer; home secretary; trade and industry secretary; defence secretary; Lord President of the Council; Foreign Office minister of state.
Others including the attorney general, governor of Hong Kong and the British ambassador in Peking may be invited as appropriate.

Committee on Northern Ireland
Terms of reference: policy on Northern Ireland issues and relations with Ireland on these matters.
Prime minister (chairman); foreign secretary; home secretary; defence secretary; Northern Ireland secretary; chief secretary, Treasury; attorney-general.
Other Ministers will be invited as the nature of the business requires.

Committee on science and technology
Terms of reference: science and technology policy. Prime minister (chairman); foreign secretary; trade and industry secretary; transport secretary; defence secretary; minister of agriculture, fisheries and food; environment secretary; chancellor of the Duchy of Lancaster; Scottish secretary; education secretary; health secretary; chief secretary, Treasury.
The chief scientific adviser is in attendance.

Committee on the intelligence services
Terms of reference: policy on the security and intelligence services. Prime minister (chairman); foreign secretary; chancellor of the Exchequer; home secretary; defence secretary; chancellor of the Duchy of Lancaster.

The Lord President of the Council and the attorney-general may attend as appropriate

Committee on industrial, commercial and consumer affairs
Terms of reference: industrial, commercial, and consumer issues including competition and deregulation. Chancellor of the Duchy of Lancaster (chairman); Lord Privy Seal; chancellor of the Exchequer; home secretary; trade and industry secretary; transport secretary; Lord President of the Council; minister of agriculture, fisheries and food; environment secretary; Welsh secretary; Scottish secretary; Northern Ireland secretary; employment secretary; chief secretary, Treasury.

Committee on the environment
Terms of reference: environmental policy. Chancellor of the Duchy of Lancaster (chairman); Lord Privy Seal; foreign secretary; trade and industry secretary; chancellor of the Exchequer; transport secretary; minister of agriculture, fisheries and food; environment secretary; Welsh secretary; Scottish secretary; national heritage secretary; Northern Ireland secretary; chief secretary, Treasury.

Committee on home and social affairs
Terms of reference: home and social policy issues. Lord President of the Council (chairman); Lord Privy Seal; Lord Chancellor; home secretary; trade secretary; transport secretary; environment secretary; Welsh secretary; social security secretary; Chancellor of the Duchy of Lancaster; Scottish secretary; national heritage secretary; Northern Ireland secretary; education secretary; health secretary; employment secretary; chief secretary, Treasury; parliamentary secretary, Treasury.
The minister of agriculture, fisheries and food, the attorney-general, the Lord Advocate and the Captain of the Gentlemen-at-Arms receive papers and are invited to attend as necessary.

Committee on local government
Terms of reference: issues affecting local government including the annual allocation of resources. Chancellor of the Duchy of Lancaster (chairman); Lord Privy Seal; chancellor of the Exchequer; home secretary; transport secretary; Lord President of the Council; environment secretary; Welsh secretary; social security secretary; Scottish secretary; national heritage secretary; education secretary; health secretary; chief secretary Treasury; minister for local government.

Committee on regeneration (EDR)
Terms of reference: regeneration policies and their co-ordination. Chancellor of the Duchy of Lancaster (chairman); Lord Privy Seal; home secretary; trade and industry secretary; transport secretary; environment secretary; employment secretary; education secretary; chief secretary, Treasury; environment minister (housing and inner cities).
The secretaries of state for Scotland, Northern Ireland and Wales should be invited to attend as appropriate.

Committee on Public Expenditure (EDX)
Terms of reference: the allocation of the public expenditure control totals, make recommendations to the cabinet. Chancellor of the Exchequer (chairman); home secretary; trade and industry secretary; Lord Privy Seal; Lord President of the Council; Chancellor of the Duchy of Lancaster; chief secretary, Treasury.

Committee on Queen's Speeches and future legislation
Terms of reference: to draft Queen's Speeches to parliament and the government's legislative programme for each session of parliament. Lord President of the Council (chairman); Lord Chancellor; Lord Privy Seal; Chancellor of the Duchy of Lancaster; attorney-general; Lord Advocate; parliamentary secretary, Treasury; financial secretary, Treasury; Captain of the Gentlemen-at-Arms.
The foreign secretary should be invited to attend or be represented for discussion of Queen's Speeches.

Committee on legislation
Terms of reference: to examine draft bills; to consider the parliamentary handling of government bills, European Community documents and private members' business and other related matters, and to review the government's policy in relation to issues of parliamentary procedures. Lord President of the Council (chairman); Lord Chancellor; Lord Privy Seal; Welsh secretary; Scottish secretary; attorney-general; Lord Advocate; parliamentary secretary, Treasury; minister of state, Foreign Office; minister of state, Home Office; financial secretary, Treasury; Captain of the Gentlement-at-Arms.

Sub-committee on health strategy
Terms of reference: the development, implementation and monitoring of the government's health strategy; to co-ordinate policies on issues affecting health and report to committee on home and social affairs. Lord President of the Council (chairman); transport secretary; environment secretary; social security secretary; Chancellor of the Duchy of Lancaster; Scottish secretary; Northern Ireland secretary; education secretary; health secretary; minister of agriculture, fisheries and food; Welsh secretary; paymaster-general; ministers of state for trade and industry, employment and health; parliamentary undersecretaries at Home Office and Department of National Heritage.
The chief medical officer is in attendance.

Sub-committee on public sector pay
Terms of reference: to co-ordinate the handling of pay issues in the public sector, report to committee on industrial, commercial and consumer affairs. Chancellor of the Duchy of Lancaster (chairman); Lord Privy Seal; chancellor of the Exchequer; home secretary; trade and industry secretary; transport secretary; defence secretary; environment secretary; Scottish secretary; education secretary; health secretary; employment secretary; social security secretary; chief secretary, Treasury.

Sub-committee on European questions
Terms of reference: questions relating to membership of the European Community, reports to committee on defence and overseas policy. Foreign secretary (chairman); chancellor of the Exchequer; home secretary; trade and industry secretary; transport secretary; Lord President of the Council; minister of agriculture, fisheries and food; environment secretary; Welsh secretary; Scottish secretary; Northern Ireland secretary; employment secretary; attorney-general; parliamentary secretary, Treasury; minister of state, Foreign Office.
Other ministers invited to attend as the nature of the business requires. The UK permanent representative to the European Communities is also in attendance.

Sub-committee on eastern Europe
Terms of reference: Britain's policy of assisting change in former Soviet republics and other former Communist countries in Europe, reports to committee on defence and overseas policy. Foreign secretary (chairman); chancellor of the Exchequer; trade and industry secretary; defence secretary; minister of agriculture, fisheries and food; environment secretary; employment secretary; minister of overseas development; minister of state, Foreign Office.
Other ministers may be invited to attend as the nature of the business requires.

Sub-committee on terrorism
Terms of reference: arrangements for countering terrorism and dealing with terrorist incidents and their consequences, reports to committee on defence and overseas policy. Home secretary (chairman); foreign secretary; defence secretary; trade and industry secretary; transport secretary; Scottish secretary; Northern Ireland secretary; attorney general.

Sub-committee on London
Terms of reference: to co-ordinate policies in the capital. Environment secretary (chairman); minister of state, Home Office; minister of state for trade and industry; minister for housing and inner cities; minister for local government; minister for social security and disabled people; minister of state for education; minister of state for health; minister of state for employment; economic secretary, Treasury; minister for transport in London; parliamentary under-secretary for national heritage; parliamentary secretary, Office of Public Service and Science.

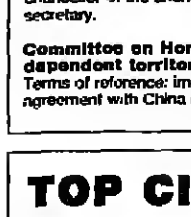
Sub-committee on drug misuse
Terms of reference: to co-ordinate national and international policies on drugs misuse, reports to committee on home and social affairs. Lord President of the Council (chairman); solicitor-general; paymaster-general; minister of state, Home Office; minister of state for the armed forces; minister of state, Scottish Office; minister for health; parliamentary undersecretaries from Foreign Office, Welsh Office and for schools

Others, including the minister for overseas development and parliamentary undersecretaries from the departments of environment and employment may be invited to attend as appropriate and should receive papers.

Sub-committee on women's issues
Terms of reference: policy and strategy on issues of special concern to women, reports to committee on home and social affairs. Employment secretary (chairman); minister of agriculture, fisheries and food; paymaster-general; minister of state, Department for Education; minister of state, Scottish Office; minister of state, Welsh Office; parliamentary under-secretary for consumer affairs and small firms; parliamentary under-secretaries from environment, social security, health and employment departments and Northern Ireland Office; parliamentary secretary, Office of Public Service and Science.

The minister of state, minister for the armed forces, parliamentary secretary, Lord Chancellor's Department and the parliamentary under-secretary at the Home office will also receive papers and be invited to attend as necessary.

TOP CIVIL SERVANTS: WHITEHALL PERMANENT SECRETARIES

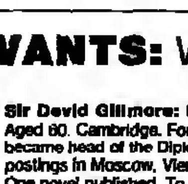


Sir Robin Butler: cabinet secretary and head of the home civil service
Aged 56. Oxford. Former Treasury official in charge of public expenditure. Principal private secretary to Margaret Thatcher 1982-85. The perfect mandarin from top to toe, he has presided over far-reaching reforms of Whitehall while defending traditional civil service values. A keen sportsman, he has been known to cycle to work from Dulwich.

Sir Terry Burns: Treasury
Aged 50. Manchester. Joined the civil service in 1980 from academia. Chief economic adviser under Geoffrey Howe, Nigel Lawson and John Major. Is guiding the Treasury into a more strategic role in Whitehall. Another keen sportsman who supports Queens Park Rangers.

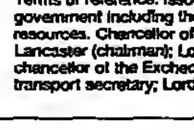
Sir David Gillmore: Foreign Office
Aged 60. Cambridge. Former teacher who became head of the Diplomatic Service after postings in Moscow, Vienna and Malaysia. One novel published. To be replaced by Sir John Coles from August.

Richard Wilson: Home Office
Aged 51. Cambridge. Spent most of career in Energy, before moving to the Treasury in 1990. Moved to Home Office this year after two years as permanent secretary at Environment. Water colourist and possible successor to Sir Robin Butler

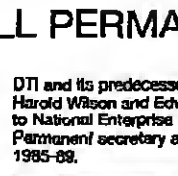


Sir Christopher France: Defence
Aged 60. Oxford. Treasury man who spent time at the Electricity Council and Ministry of Defence before heading Department of Health. Principal private secretary to Tony Barber and Denis Healey. Recreation: "Keeping the house up and the garden down."

Sir Peter Gregson: Trade and Industry
Aged 58. Oxford. Career civil servant in the DTI and its predecessors. Private secretary to Harold Wilson and Edward Heath. Secretary to National Enterprise Board 1975-77. Permanent secretary at Energy Department 1985-89.

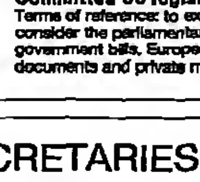


Valerie Strachan: Customs & Excise
Aged 54. Manchester. Joined Customs & Excise from university, but also spent time in the (short-lived) Department of Economic Affairs, Home Office and Treasury. Recreations: Scottish Country Dancing. On board of companions of Royal National Lifeboat Institute.



Sir Anthony Battishill: Inland Revenue
Aged 57. London School of Economics. Career spent shuttling between Inland Revenue and Treasury. Principal private secretary to Denis Healey and Geoffrey Howe.

Andrew Turnbull: Environment
Aged 49. Cambridge. A Treasury man, in charge of European exchange rate policy on Black Wednesday. Principal private secretary to the prime minister 1988-92, serving both Margaret Thatcher and John Major. Possible successor to Sir Robin Butler.



Nicholas Monck: Employment
Aged 59. Cambridge. Another Treasury man now running a Whitehall department. Principal private secretary to Denis Healey.

Patrick Brown: Transport
Aged 54. School of Slavonic and East European Studies, London. After eight years with Carreras, the tobacco manufacturer, he joined Urwick Orr and Partners as a management consultant. Joined the civil service in 1972. Chief executive of the Property Services Agency 1990-91.

Sir Timothy Lankester: Education
Aged 52. Cambridge. Joined the Treasury in 1973 after voluntary service in Belize, an Oxford fellowship and the World Bank. Seconded to SG Warburg 1981-83. Permanent secretary at the Overseas Development Administration 1989-94, where blowing the whistle on the Pergau Dam affair appears to have done his career no harm.

Graham Hart: Health
Aged 54. Oxford. Most of career spent in Department of Health and Social Security, apart from periods in Scottish Office and Cabinet Office think-tank.

Sir Michael Partridge: Social Security
Aged 58. Oxford. Entered civil service through ministry of pensions and rose to top of Department of Health and Social Security with brief spell at the Home Office in charge of police dept. Senior treasurer for the Methodists.

Richard Packer: Agriculture, Fisheries and Food
Aged 49. Manchester. Most of career spent in MAFF, apart from period in Brussels in UK office at EC. Recreation: "Living intensely."

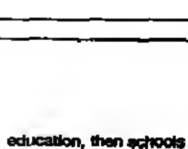
Richard Mottram: Office of Public Service and Science
Aged 48. Keele. Most of career spent in Ministry of Defence, which he is tipped to head in the future. Star prosecution witness at trial of Clive Ponting. Principal private secretary to Michael Heseltine during the Westland affair. Played a central role on the options for change white paper, the post-cold war review of Britain's defence requirements.

Sir Thomas Legg: Lord Chancellor's Department
Aged 58. Cambridge. Barrister who joined the department in 1962. Assistant solicitor, 1975. SE Circuit administrator 1980-82. Chairman Civil Service Benevolent Fund.

Heyden Phillips: National Heritage
Aged 51. Cambridge. Home Office career ended with a spell in Roy Jenkins' private office in Brussels. Moved to Cabinet Office, then Treasury where he was in charge of civil service matters. Tipped to run a larger department.

John Vereker: Overseas Development Administration
Aged 49. Another Keele graduate. Spent most of career in ODA and predecessor, with time at the World Bank and Number 10. Deputy secretary at Department for Education in charge of further and higher education, then schools before returning to head ODA this year. Also tipped for greater things.

Sir Russell Hillhouse: Scottish Office
Aged 66. Glasgow. Has worked in most departments in the Scottish Office, with a period at the Treasury. Recreation: "Making music."



Michael Scholar: Welsh Office
Aged 52. Cambridge. Treasury man struggling to clean up quangos in Wales, but tipped for further promotion. Private secretary to Joel Barnett and Margaret Thatcher. Spent two years on secondment to Barclays Bank International. An accomplished musician, playing the piano and organ, and an expert on Wittgenstein and Aristotle.

Sir John Chilcot: Northern Ireland Office
Aged 55. Cambridge. Rose through Home Office with period of the Cabinet Office. Seconded to Schroders, the merchant bank, 1986-87. Possible head of larger department.

MPs to urge wider role for telecoms groups

By David Owen

British Telecommunications would be free to carry entertainment services in some parts of Britain by the late 1990s under proposals to be unveiled by MPs next week.

The Commons trade and industry committee is expected to recommend sweeping changes to the licensing, franchising and exclusivity arrangements that govern the industry.

The Tory-controlled body is expected to urge ministers to remove uncertainty which MPs feel has been dogging the sector. It is likely to say the regulatory system is too rigid.

The report comes amid mounting calls for the government to rethink its policy banning BT and Mercury Communications from offering entertainment services over their existing networks until at least 2001. BT is most hard hit because, unlike Mercury, it has a local network.

Sir Bryan Carsberg, director-general of fair trading, said last month that the ban could create local telecommunications monopolies in the shape of cable-television companies if continued for too long.

His remarks came three weeks after Mr Michael Heseltine, trade and industry secretary, flatly rejected a Labour proposal to lift the ban in return for BT agreeing to invest heavily in extending fibre-optic cables into its local network.

He said it would be "the gravest possible breach of integrity" for the government to go back on its word to the cable companies.

When imposed in 1991, the ban's aim was to encourage cable companies to invest in local cable networks, providing telecoms services in competition with BT.

Next week's report is expected to recommend that the government starts reviewing the exclusive rights given to cable companies to carry entertainment on a franchise-by-franchise basis as they mature.

This could have the effect of allowing public telecoms operators into the entertainment market well before the end of this decade.

Many observers believe the strongest case for an early lifting of the ban is in parts of the country not covered by cable franchises.

Oftel, the telecommunications regulator, is empowered to report on the desirability of lifting the ban from 1998. But Mr Don Cruickshank, Oftel's head, has played down the prospect of even a review of the BT ban before 2001.

The cable companies say the ban is essential to ensure the viability of their planned £6bn investment in the next five years.

Court fails to answer Mercury's bitterness

Andrew Adonis on a decision which will affect utilities and regulators

The refusal by the Court of Appeal yesterday to interfere in the dispute between Mercury and Oftel, the telecommunications regulator, will not only affect Mercury. It has ramifications for wider telecoms competition in the UK and for the relationship of utility regulators with the courts.

Mercury has long been aggrieved by what it regards as excessive prices it pays British Telecommunications for delivering its long-distance calls to their final destination across the local BT network.

This discontent has turned to bitterness in the face of recent large cuts in BT prices and fast-growing competition from new operators licensed since the abolition in 1991 of the BT/Mercury duopoly.

Although BT carries 85 per cent of all phone calls by value, the new competitors could harm Mercury more than BT because their target is the corporate market, which is Mercury's main source of revenue.

Mercury's complaints are complex but boil down to two issues.

It believes that the so-called "access deficit contributions" (ADCs) – which it pays to compensate BT for losses it makes on its local network – are a tax on competition.

It also challenges the current basis for interconnection payments.

Mercury says that a capacity-based system – under which competitors would pay BT mostly for peak-rate capacity, not individual calls – would be fairer than the current per-call system.

The court case concerned the latter issue, capacity-based charging.

Unless Mercury can persuade the House of Lords to overturn the Court of Appeal's decision it will have to return to Oftel to secure a change.

Oftel says, however, that Mercury has provided it with no more than a sketchy outline of the new system it wants, and industry analysts are sceptical that a capacity-based system could be made to work in practice.

In the process, however, Mercury has raised important questions about the role of the courts in supervising utility regulators.

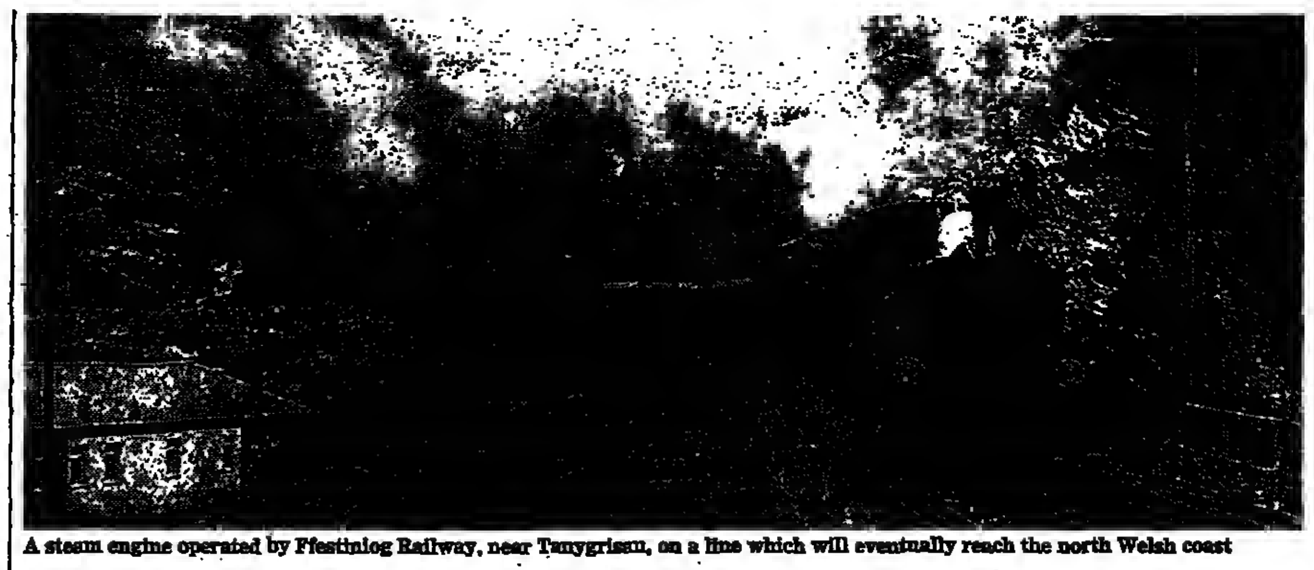
Mr Don Cruickshank, director-general of Oftel, deprecates the idea of the courts playing an integral role in the regulatory process, arguing that it would bring all the evils of the US telecoms industry "where no-one – regulators or industry – knows what is or isn't allowed".

The verdict the Court of Appeal has delivered is an ambiguous one.

In dismissing Mercury's case without allowing it to rehearse the detailed points at issue the court refused to involve itself and refrained from setting a precedent for other companies or organisations – particularly in the environmental field – disgruntled with a regulator.

However, the judges made comments which might encourage Mercury and others to try their luck in future.

One of the three judges ruled that Mercury had made out a case worth a judicial hearing. And one of the judges in the majority said he was "not persuaded" by Mr Cruickshank's basic argument that the courts should not interfere in Oftel's interpretation of the issues at stake, although he dismissed Mercury's case for other reasons.



A steam engine operated by Ffestiniog Railway, near Tanygrisau, on a line which will eventually reach the north Welsh coast

Ffestiniog wins fight for rail route

By Charles Batchelor, Transport Correspondent

A fierce battle between rival steam railway companies for control of a 23-mile stretch of disused line through Snowdonia national park has been decided this week.

Mr John MacGregor, in one of his last acts as transport secretary, gave approval for the Ffestiniog Railway to acquire the railway bed against a rival claim from the Welsh Highland Light Railway.

In deciding in favour of Ffestiniog Mr MacGregor overturned the recommendation of the inspector who chaired a four-week public inquiry into the rival bids last year.

His ruling clears the way for Ffestiniog, which already runs a successful steam railway over a 13-mile route between Blaenau Ffestiniog and Porthmadog, to create a 36-mile loop through the national park to the tourist centre of Caernarfon on the north Welsh coast.

Mr MacGregor came down in favour of Ffestiniog in part because of its experience. The company, which employs 60 people alongside 6,000 volunteers, expects to invest £350,000 in its existing line this year. It carries nearly 200,000 people a year with a turnover of £2m.

Work on restoring a service on the disused track bed could take up to 15 years to complete and cost between £10m and £15m.

Mr Gordon Rushton, the general manager of the Ffestiniog Railway, is offering the Welsh Highland Light Railway, an entirely voluntary organisation, the chance to co-operate on the project but considerable bitterness remains between the two.

Disputes between rival railway enthusiasts are not uncommon. The Association of Railway Preservation Societies said it was a pity so much money, which could have been spent on restoring the railway, had been wasted on legal expenses.

The decision in favour of Ffestiniog could be seen as a further small step down the road towards privatising Britain's railway network. The Welsh Highland bid had the support of Gwynedd county council and a number of other local councils – one reason for the inspector recommending Welsh Highland at the inquiry.

But Mr MacGregor concluded that the inspector had attached "too little weight to the benefits of placing such matters entirely within the private sector."

Swans bidder to meet Rifkind

Mr Malcolm Rifkind, the defence secretary, and Mr Roger Freeman, defence procurement minister, will on Tuesday meet the head of Sofia, the parent of the French-based company CMN which is the sole prospective buyer for Tyneside shipbuilder Swan Hunter, Chris Tighe writes.

CMN has said it will only buy the yard if the government guarantees two years' base workload. Swans' present work finishes in November.

An offer to Swans by the Ministry of Defence of the £6m refit of the Royal Fleet Auxiliary tanker Olwen depends on the yard finding a buyer and ending its receivership by August 1.

MetroCentre to open on Sundays

The Church Commissioners, landlords to the MetroCentre in Gateshead, Tyne and Wear, are to allow the shopping centre to open on Sundays.

Approval follows an 80 per cent vote in favour by tenants.

Consortium set to buy LT advertising

London Transport looks set to sell its advertising arm, London Transport Advertising, to a consortium led by the largest transport advertising company in the US, Transportation Displays Incorporated, and Hambro Group Investments.

LT said yesterday that it was dropping all but two from its shortlist – the consortium, and a management and employee buy-out. LT said the consortium was its preferred bidder. The sale is due for completion before the end of August.

ITN and NBC to share news material

Independent Television News is to supply news packages to NBC, the US network, and its affiliate stations in a deal that also allows ITN to use NBC material.

The deal follows a decision by ITN to sell its news coverage directly rather than having it handled by Worldwide Television News.

Easing of radio rules is sought

The Radio Authority has asked the government to simplify ownership rules for commercial radio stations.

Limits on how many stations a company can own are determined by a points system. A national commercial station is worth 25 points, while a local station is worth three points.

No group can own more than 15 per cent of the points or more than 20 licences, more than six London and large metropolitan stations, or two FM stations in any area.

The authority wants to preserve the 15 per cent rule, but believes most of the others are no longer necessary.

Airport reports fall

Manchester Airport's profits fell to £16.6m in the year to the end of March compared with £38m in 1992-93 because of higher operating costs and interest charges after opening its second terminal last year.

Union chief dies

Alex Ferry, former general secretary of the Confederation of Shipbuilding and Engineering Unions, has died aged 63.

Service pledge in train dispute

By Lisa Wood, Labour Staff

Rail users can expect a slightly better service during next week's 48-hour stoppage than during last week's one-day strike, Railtrack, the state-owned company responsible for the railway infrastructure, said yesterday.

Mr John Ellis, Railtrack's production director, was questioned by the Central Rail Users Committee, the official watchdog of rail travellers, at a scheduled meeting in London where he expressed little optimism for a quick resolution of the signalworkers' dispute.

He said: "We are anticipating that we should be able to provide a very similar, if not improved service, than that we offered last week."

Mr Ellis said 30 per cent of the normal weekday rail network would be available during the strike period, which begins from noon next Tuesday.

He hinted that contacts had been established between Mr Bob Horton, Railtrack chairman, and Dr Brian Mawhinney, the new transport secretary. He said: "I personally have not had contacts with him but there has been some initial contact with the new secretary of state."

There has been speculation about a breakthrough in negotiations next week. Mr Ellis, who did not rule out talks this weekend at Acas, the arbitration and conciliation service, said he could not say when the dispute would end. "We are still a long way apart and there is not much sign on a formal basis of resolving the differences but informal talks continue."

RMT, the transport union, wants an "up-front" pay rise for past productivity improvements before it will agree to talks on restructuring signalling work. Railtrack wants a binding agreement on such discussions before it will make such a move.

On the safety of managers and supervisors operating signals during the strikes Mr Ellis said: "There is absolutely no compromise on safety. I deplore what RMT have been doing in raising totally unnecessary fears about this issue."

The Health and Safety Executive confirmed that its inspectors had made spot checks this week during the strike.

The executive said: "In none of these instances were there grounds for the inspectors taking enforcement action."

Backbench pressure over plans for Ulster assembly

By David Owen

Senior Conservative backbenchers are stepping up pressure on the government to accede to unionist calls to finalise plans for a devolved Ulster assembly without waiting to agree an all-embracing settlement.

Senior MPs are encouraging ministers to abandon the old "nothing is agreed until everything is agreed" formula governing political talks on Northern Ireland's future, in favour of an undertaking that nothing is implemented until everything is agreed.

They suggest such a change could enable cross-party backing for a blueprint for devolved government to be secured more quickly without departing from the so-called three-stranded approach supported by nationalists.

This requires relations between Ulster and Dublin and London and Dublin to be dealt with in the same process as the province's internal politics for the purposes of the current talks.

News of the MPs' initiative emerged amid indications that unionists and Tory right-wingers have been heartened by remarks made by Sir Patrick Mayhew, Northern Ireland secretary, this week.

Sir Patrick told the Daily Telegraph that Dublin's territorial claim to Ulster was the central issue to be resolved in drafting a joint framework document aimed at encouraging the province's political parties to return to the negotiating table.

Meanwhile leaders of Sinn Féin, the IRA's political wing, prepared for this weekend's conference – at which the party's response to the Downing Street Declaration is expected to be decided – as the cycle of violence in the province continued with a killing and a spate of firebomb attacks. Bobby Monaghan, 44, a Catholic barman, was shot by loyalist gunmen from the outlawed Ulster Freedom Fighters in Newtonabbey, north of Belfast.

● In London, two High Court judges indicated that they intend to refer the government ban on Mr Gerry Adams visiting mainland Britain to the European Court of Justice in Luxembourg.

'Manchester plc' profits up

By Ian Hamilton Fazey, Northern Correspondent

"Manchester plc", the aggregation of the results of the top 100 companies in the conurbation, made £1.48bn pre-tax profit in 1993-94, a rise of 6.5 per cent over the previous year's £1.39bn – in spite of the period reflecting the worst effects of recession for many of the companies involved.

The "accounts", compiled by Manchester's KPMG Peat Marwick, lag the economy because they are a compilation of figures which are themselves historical.

Mr Alan Benzie, managing partner of KPMG in Manchester, warns that confidence remains fragile and the strength of recovery will require careful monitoring if companies are to become sufficiently reassured to try to force expansion again.

Turnover – the criterion by which the 100 companies were selected and ranked – was only £10,000 short of £29bn, compared with £27.94bn in the 1992-93 "accounts". Although this was only a 3.8 per cent increase, as opposed to the previous year's 4.9 per cent, it was ahead of an inflation rate of less than 3 per cent.

This means that combined with increased profitability, industry and commerce gained in efficiency and performance as recession forced restructuring, on manufacturers in particular. This helped ensure an almost unchanged return on capital of 8.3 per cent.

Operating profit was marginally better at 6.3 per cent compared with 5.8 per cent.

Gas users warned of possible increase

By David Lascelles, Resources Editor

Gas prices may have to rise for some consumers as competition is introduced into the domestic market, British Gas has told the government.

In a letter to cabinet ministers and selected MPs Mr Cedric Brown, the chief executive, says that the removal of cross subsidies meant "there will need to be a period of transition in which some price adjustments are necessary".

This is because small consumers are subsidised by large customers. Competition is expected to be more intense among large consumers, however, and British Gas has already said it may have to cut prices in that segment of the market to protect its position. This would also mean that charges might have to go up for small gas users.

Mr Brown confirms in his letter that British Gas would like to see a delay in the April 1996 date proposed for the start of phased-in competition. He stresses that this is because more time is needed to introduce changes, including completely new computer and operational systems.

British Gas remains committed to full competition by the government's target of April 1998.

Material prices set to push up building costs

By Andrew Taylor, Construction Correspondent

Prices quoted by building groups bidding for contracts are forecast to rise by up to 10 per cent in the next year as they seek to recover profit margins and pass on increased material and labour costs.

E.C. Harris, international construction cost consultants, said yesterday that even so, tender prices are expected to remain 15 per cent lower than at the peak of the development boom in 1989.

It forecast that construction tender prices nationally would rise 5.5 per cent in the next year with an identical increase over the following 12 months to autumn 1996.

Prices in London, where the resurgence in construction has been greatest, are forecast to rise by up to 7 per cent on average in 1994-95.

Mr Christopher Vickers, E.C. Harris chairman, said the rises "could surprise customers who, after two years of virtual stagnation in construction tender prices, have become accustomed to fairly constant prices".

Prices of building materials rose 6 per cent on average in the 12 months to the end of April – more than twice the increase in the retail prices index over the same period.

Plasterboard and constructional steel prices rose more than 10 per cent on average. Prices of bricks, concrete blocks, cement, concrete roof tiles and clay pipes also rose more than the sector average.

The figures mask wide regional variations. Structural steel prices nationally averaged £886 a tonne compared with about £950 a tonne in London. Concrete floor-slabs priced at £70 a cubic metre compared with £59 nationally.

● The pace of recovery in the housing market continued to slow last month although sales of new homes are holding up better than the general market, the Housebuilders Federation reported yesterday.

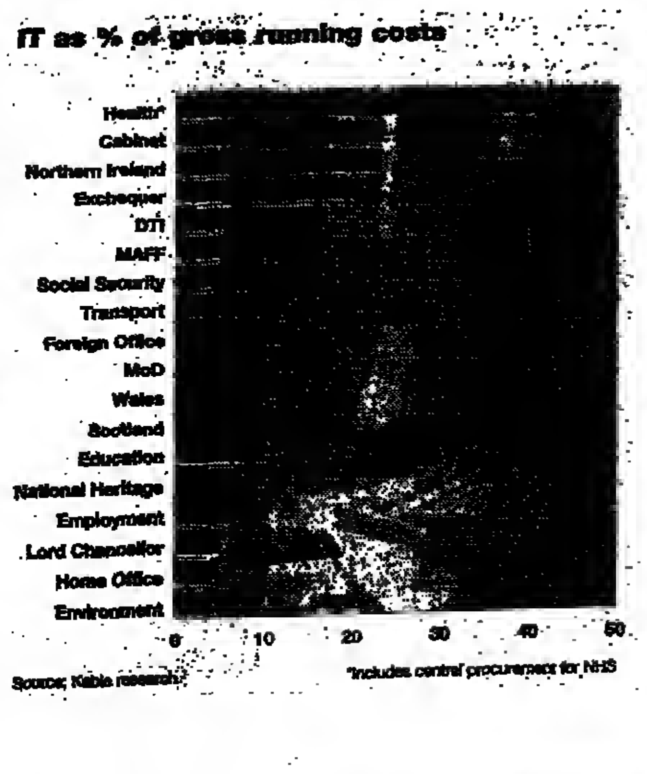
Almost half of the 471 housebuilders questioned in a survey said that agreed sales on which a deposit has been paid, less any cancellations, had fallen since May.

Most builders, however, reported that these agreed sales were higher than in June last year, when the housing market similarly fell after starting the year strongly.

The federation said: "Although growth in the new-homes market has been sustained, the June survey showed that the rate of growth has slowed significantly. Sales of new homes have continued to out-perform sales in the second-hand market."

Civil service computer spending 'to fall'

IT as % of gross running costs



Source: Kable research *Includes central procurement for NHS

By Alan Cane

Civil service spending on computer systems is set to fall in 1994-95 for the first time in five years, according to one of the first detailed analyses of government information technology expenditure.

The biggest drop, 48 per cent, is at the Department of Social Security which, along with the Exchequer (comprising Treasury, Customs and Excise and Inland Revenue) and the Ministry of Defence, accounts for about two-thirds of the £2.5bn spent annually by government departments and agencies on hardware, software, external services and computer staff.

Its IT services arm, ITSA, plans to spend £68m on computers this year, £84m less than last.

The analysis, carried out by Kable, a research group specialising in public sector information systems, does not take into account the dramatic decline in computer hardware prices over the past few years. Kable concludes nevertheless that the boom is over for equipment suppliers: "Civil service hardware spend has risen an average 5 per cent a year over the past four years. At the depth of the recession in 1991-92, government was decidedly popular with the computer industry as budgets rose 20 per cent. This year, equipment spend is set to drop 10 per cent," it says.

The Kable study puts down benchmarks for government IT spending when, as a consequence of market testing and the outsourcing of computer operations, the picture will become much more complex.

Personal computers accounted for 42 per cent of civil service hardware spend in 1993. The MoD alone spent £86.

Some £303m was spent on software in 1993, representing 12 per cent of overall IT spending. The largest share, 45 per cent, went on specially written, or custom, software. In commercial data processing, pre-written or packaged software is increasingly preferred.

Departments spent a total of £127m on consultancy, representing 5 per cent of their systems budgets. However, the DSS and the Exchequer each spent 8 per cent of their budgets while Northern Ireland and Employment spent less than 0.1 per cent.

Market testing – where the performance of in-house operations is measured – also threw up broad differences. The leaders – the Exchequer and the MoD – have each tested £350m worth of services while the DSS and the Lord Chancellor's Department have not tested activities worth more than 1 per cent of their gross running costs.

Kable Market Profile: Civil Service IS 1994/95 available from Kable, 40 Bowling Green Lane, London EC1 0NE, £2,250

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Saturday July 23 1994

Policy in the upturn

Now more than ever, the makers of monetary policy can expect their every word to be probed for signs of a change in policy. The trouble is that both the tools of their trade and market reactions to their efforts have become increasingly unreliable.

The obvious approach is to make things clearer. The decision to publish the minntes of the British chancellor of the exchequer's monthly meetings with the governor of the Bank of England was a significant step in this direction. In the account of the June meeting - published this week - Mr Eddie George judged the situation "very favourable" and Mr Kenneth Clarke was happy to agree.

UK growth in output, as evideoced by Friday's preliminary estimates of growth in total gross domestic product of 3.3 per cent for the year to June, continues to exceed the historical trend. Excluding the erratic output of oil from the North Sea, however, the increase was only 2.7 per cent. Although the narrow measure of money supply is currently growing above its target range, the eclectic range of other monitored variables does not indicate any need for immediate monetary tightening. Or so the chancellor and the governor agreed.

Their judgment looks sensible. One reason the Bank seems to be relatively sanguine about inflation is its estimate that the economy has an output gap of 6 per cent of GDP, following the long recession. For all that, bottlenecks may emerge quite soon. The steep slope of the UK yield curve indicates that the markets are concerned about the possibility of higher inflation (and higher interest rates) in the not too distant future. Base rates will indeed have to rise from their current low level, though, with luck, not much before the end of the year.

Timid moves

The same has been said for some time about American official interest rates, an impression which the Federal Reserve chairman, Mr Alan Greenspan, did nothing to remove this week. During the first of his biannual testimonies to Congress at the beginning of the year, be tried to forewarn tha markets of higher interest rates. Consequently, ba was surprised by the dramatic plunge in the bond market that followed his first timid moves towards a long-canvassed tightening of the US monetary stance.

It seems that for a central bank to explain what it is about to do is not as helpful as might be expected. The only answer is for it to try still harder. One thing he has consistently pointed out is that for the US to take the lead in tightening monetary policy is a necessary side-effect of America's head-start in the world's move out of recession. He also signalled that the international aspects of monetary policy - above all, the level of the dollar - were not going to be left out of the equation.

Bids for a dollar recovery are also being voiced by members of the Clinton administration. Yet, ever since the G7 in Naples decided that the dollar's fall could not be prevented, the currency has in fact stabilised. An adapted law of unintended consequences might suggest that supportive comments from Washington will send it down again. A steady further depreciation of the American currency remains the conventional financial market wisdom. But the market's conventional wisdom is almost automatically wrong. If everyone has sold the dollar short already, who is left to do so?

Odd weakness

For all the concern about the American trade account, the dollar's weakness looks somawhat odd, given that short-term US interest rates may soon exceed German ones, an avent which Mr Greenspan's careful comments brings closer. The betting on such a "cross-over" was only marginally confused by the Bundesbank's decision, announced on Thursday, to fix its "repurchase" rate at 4.85 per ceot for the next four weeks. In effect, this reduced the rate by only 3 basis points over the coming weeks, a contorted way of limiting speculation about tha timing of future rate cuts.

The Bundesbank had reason enough for its contortions. It has been cutting interest rates in the light of the performance of inflation, which has been falling, and of the economy, which has been recovering slowly. In the meantime, it has chosen to ignore its target for broad money, whose growth this year has been far above tha 4-6 per cent target range. In the last two months, however, the money supply has ceased growing, while the economy has been picking up. As a rasult, pressure to cut interest rates has diminished. It is even possible that German interest rates are not far from their floor. This week's talk from the Bank of Japan about recovery suggests that the same is true there.

Yet even if the global short-term interest rate cycle is near bottom, US and, for that matter, UK rates are almost certain to rise, relative to those in D-Marks and yen. In their myopic way, markets may suddenly notice this development. If so, the story of the second half of 1994 might be the strength of the dollar, and even of the pound.

The sounds of a continent cracking

Michael Holman says the west must recognise its self-interest in dealing with the crisis engulfing Africa

"The record is grim and it is no exaggeration to talk of crisis... What is needed is a new kind of social compact, an agreement within the world community that the struggle against poverty in Africa is a joint concern which entails responsibilities for both parties"
– World Bank, 1981

The warnings have gone unheeded. Now come signs of a continent under intolerable strain, poised between crisis and catastrophe, lacking both the capacity and the will to implement economic and political reforms.

Rwanda is the latest in Africa's roll call of disasters over the past 20 years, during which at least 10m people have died and as many have become refugees. For some governments, the strain has proved too much.

Zaire, almost straddling the waist of Africa, is less a state than a collection of fiefdoms. Sudan, Africa's largest country, has been destroyed by civil war, and Sierra Leone, Liberia, Somalia, Angola are joining them. Worse may be to come, for two of Africa's most important countries are now at risk: Nigeria in the west and Kenya in the east are both showing signs of stress.

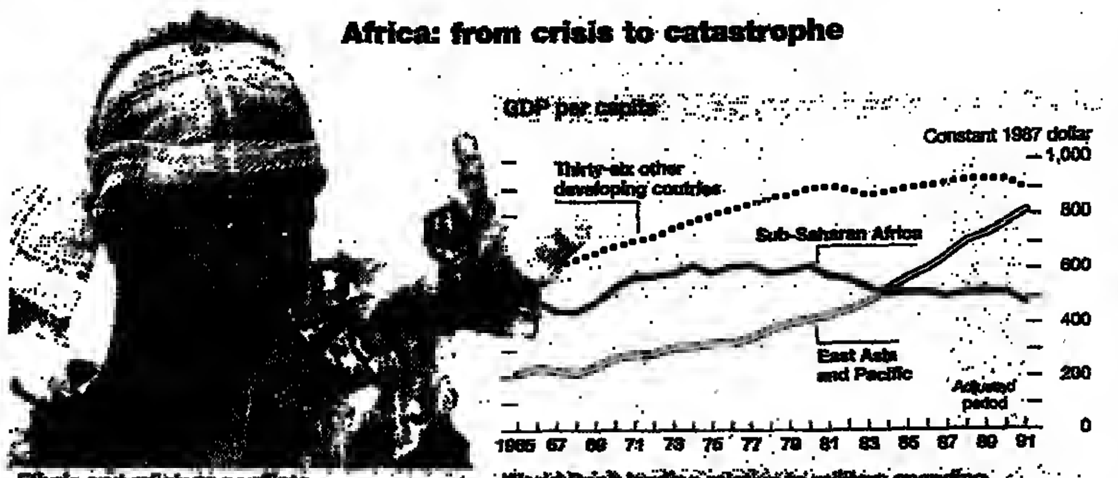
Nigeria's leaders sqnandered $100bn of oil earnings over the decade of the oil boom from the 1970s to the early 1990s. External debt, currently $34bn, rises by $6bn a year, the civil service is undermined by political interference and corruption, per capita gross domestic product has halved since 1980, the fault line is deepening between Moslem north and Christian south.

Meanwhile Kenya is battling against impossible odds. Its population has tripled over the past 20 years to 25m, land hunger grows, unemployment risee, and 400,000 school-leavers compete annually for 20,000 jobs in formal employment. Corruption and vested interests stand in the way of effective reform.

Meanwhile Africa's rare "success stories" such as Ghana and Uganda, are not inspiring. "Current growth rates among the *best* [emphasis added] African performers are still too low to reduce poverty much in the next two or three decades," warned a recent World Bank review.

The Bank's bopes, back in 1989, that African economies could grow at a rate of 4 to 5 per cent proved optimistic. Growth has been barely half that, well below the region's 3.2 per cent annual rise in population. Unless Sub-Saharan Africa'e "poor" economic policies improve, it will ba 40 years before the region returns to its per capita income of the mid-1970s, says the Bank.

Africa: from crisis to catastrophe



Ethnic and religious conflicts

Country	Group rebellion*	Major armed conflict**	Refugees from the country ('000)
	1980-89	1989-92	1992
Mozambique	no	yes	1,730
Somalia	yes	yes	870
Ethiopia	yes	yes	840
Liberia	no	yes	670
Angola	yes	yes	400
Sudan	yes	yes	270

* Non-state armed groups of over 1,000 fighters, in conflict with other such groups
** Involving more than 1,000 battle-related deaths with government forces

World Bank lending relative to military spending

Country	Military expenditures as % of GDP		Average annual World Bank loans per capita ($)		Loans as % of total World Bank loans	
	1960	1990	1980s	1989-91	1980s	1989-91
Major rise in military spending						
Ethiopia	1.6	13.6	10.2	77.4	1.0	0.4
Tanzania	[illegible]	[illegible]	8.3	[illegible]	0.5	[illegible]
Zambia	1.1	3.2	5.7	92.7	0.5	0.4
Burkina Faso	[illegible]	[illegible]	0.1	[illegible]	0.0	0.3

Sources: World Bank, Adjustment in Africa, Human Development Report 1994

Dissenting voices suggest ways out of the predicament. "More aid!" cries one.

But aid has increased and the crisis deepens. Net aid transfers to Africa increased from 5.6 per cent of regional GDP in the early 1970s to 8.3 per cent in the late 70s, reaching 11.7 per cent of GDP by 1990. Sub-Saharan Africa's share of global aid is up to 38 per cent in 1991 from 17 per cent in 1970. A decade of structural adjustment, and net aid flows of $170bn, has stemmed the region's decline but not launched a revival.

"Reform the international trading system," cry others, pointing to Africa's deteriorating terms of trade. Perhaps, comes the response, but why has Africa lost its market share of cocoa, tea, coffee to other third world countries who live under the same system?

"Foreign investment is the key," say others. But who will invest in a continent where the infrastructure has deteriorated, skills are in short supply, and instability endemic?

"Impose democracy by making aid conditional on good governance," say western governments. But democracy isn't working; and the World Bank's report on the "east Asian miracle" suggests there is not necessarily a link, says another.

What can be done?

- First, the World Bank, the continent's leading donor, and the aid agencies must find common cause. Africa needs their vigorous lobbying of the west's decision makers. John Clark, who used to work with Oxfam, pnt it well in his book, *Democratising Development: The Role of Voluntary Organisations*. Non-governmental organisations, he says, "will make littla headway unless their ideas are grounded in economic reality and unless they search for positive as well as negative lessons within the programmes of the World Bank and other practitioners of development orthodoxy."
- Once there is agreement on the economic and political agenda, non-governmental organisations should play a greater role. In certain countries, where the mangement capacity of government is weak, NGOs should run primary health care, or primary education, or drought relief.
- The private sector should make investment decisions, rather than aid workers without the necessary skills.
- Increase transparency. Too often donors are willing to conceal what they know of corruption in African governments. They fail to insist on minimum levels of accountability and access to information. By withholding or denying African electorates information about structural adjustment programmes, they stifle debate about economic policy.
- Constitution making. Hopes for the revival of democracy will be dashed unless Africa draws up constitutions which take account of ethnic, religious and regional differences. Rebuild the parties and institutions of democratic government.
- Set levels of military spending at a percentage of GDP below spending on housing, education and health.
- Radical measures to ease Africa'a debt burden should be accompanied by tougher monitoring of reform policies, including donor officials in institutions such as central banks and finance ministries.
- If governments are not willing to embrace structural adjustment and good governance requirements, then donors should only finance humanitarian projects.

Above all, the west must be motivated by self-interest as much as compassion in its response to the African crisis. Possible solutions will only be implemented when an ailing Africa is seen as a threat and as a loss.

As Africa's economy declines, so immigration to southern Europe will rise; Moslem extremism will intensify; drug-trafficking will increase; disease, whether Aids or the discovery of bubonic plague in Zaire, will pose a serious health problem; environmental erosion or neglect will lead to the destruction of valuable flora and fauna.

Africa cannot be ring-fenced: and the longer a co-ordinated response to its crisis is postponed, the more daunting become the problems and more serious the consequences of failure.

Food, water – and troops

Edward Mortimer on how the world should aid Rwanda

It has happened again, and on the most borrific scale yet. True, the absolute number of refugees dieplaced by tbe Afghan war was higher, but that problem built up over a period of years.

In Rwanda, more than 2m peopla have fled into neighbouring countries since April 6; most of them within the past two weeks. And, as Boutros Boutros-Ghali, the UN secretary-general, said yesterday, "another million may be on their way". If one adds the people displaced within the country, more than half Rwanda's 7m people have been uprooted.

As many of these people face death by starvation, or from cholera and other diseases to wbicb their resistance is lowered by malnntrition and lack of sanitation or clean drinking-water, clearly tbe first priority must be to get emergency aid to them, in the shape of food, medical supplies, water tankers and equipment for digging latrines. The UN yesterday issued an appeal to governments to provide services "as self-contained packages" in airport services, domestic fuel, sanitation facilities and water management.

The UN estimates financial requirements at about $435m, and is begging governments to make resources available without delay. It points out that this time it has succeeded in co-ordinating the efforts of all its specialised agencies and of some 30 non-governmental organisations - something governments blamed it for failing to do in previous emergencies.

At present, aid is not getting through fast enough, because of the difficulty of reaching the refugees. Forty-five Hercules aircraft each day are needed to bring in food at Goma alone, says Nigel Twose, international director of the British charity Actionaid. After blaming the French for restricting the number of flights, the UN has now taken control of the airstrip at Goma, only to find it is the Zairean authorities which have imposed a limit of 20 flights a day. One of the most urgent priorities is therefore to "persuade" them to relax that limit, and to put in an expert team to maintain the runway so the strip can take flights around the clock.

It is clear that humanitarian aid is not enough to cope with this situation. Indeed, it may make matters worse if it is concentrated on or close to the borders, and thereby encourages the population to gather there in large concentrations where they will become permanently dependent on international relief. It is vital to get people back to their homes quickly.

This is also what the new government wants, and it therefore has a strong incentive to co-operate with the UN in reassuring people that they will not be massacred. Bnt mere verbal assurances will hardly be enongb. Aid sbould be made available inside the country to returning refugees, and there will have to be a visible presence of foreign troops to reassure them.

The French deserve credit for saving thousands of lives in the area they have occupied. But many of the people who carried out the genocide against the Tutsi in April and May have taken refuge in that area, which the French now propose to leave by August 22, taking all their equipment with them. If they are to be replaced by ill-equipped African troops, it is vital that they be persuaded either to leave or to replace their equipment, and that other countries with well-equipped armed forces make good on the promise to provide equipment which they gave back in May. It would be even better if some of those countries were willing to send their own troops.

Troops are necessary, but should be there only to stabilise the situation during a political reconciliation process, which may be easier at local level, given strong community leadership, than at the top. Clearly the RPF will not forgive the main instigators of genocide, but it should be helped by external powers to set up an unimpeachable judicial process; and it must be persuaded to limit retribution to the main instigators. If every Hutu with blood on his or ber bands were to be hunted down, much of the population would choose to remain in exile and prepare for yet another "war of liberation".

MAN IN THE NEWS: ***Brian Lara***

Lara's lucrative theme

Brian Lara, the the phenomenon from Trinidad, broke another world record last week, landing the largest individual corporate sponsorship contract ever awarded to a cricketer.

Mercury Asset Management, the UK's largest fund manager, has signed Lara to a two and a half year contract for £100,000. Its value could rise to £500,000 depending upon his performance on the cricket field. MAM has also informally agreed to make contributions to mostly Trinidadian charities in Lara's name.

This deal is unique in a sport in which the average England county cricketer earns £20,000 a year or less. Nick Leigh, a director of Birmingbam-based Kennedy Street Enterprises, the agent for Ian Botham and Viv Richards, says it is worth paying Lara such sums because of the crowds he attracts. "You go to your average county cricket game and it's just one man and his dog," he says, adding that the attendance is perhaps 1,800.

Denis Amiss, chief executive of Warwickshire, Lara's clnb, says gate receipts from crucial home matches are likely at least to double this year to £100,000. He says Lara's arrival added 900 members to the club, to take the total to 8,400.

The conversion of Brian Charles Lara, cricket sensation, into Brian Lara, earnings sensation, occurred over several years, according to his agent, Mr Jonathan Barnett, director of Stellar Promotions.

Lara is the youngest of 11 children of a close-knit family from the village of Cantar, Trinidad. Barnett says Lara got his first cricket bat at the age of six from an older sister who had spotted an advertisement in a local newspaper for the Harvard Clinic, where children were taught cricket.

Barnett first met Lara, then 22, during tbe West Indies tour of England in the summer of 1991. He was a junior player who never got onto the field, but even so, West Indian batsman Viv Richard hailed him as the next sensation from the Caribbean.

Barnett, who used to run the sports promotion division of the failed Levitt Group, was asked by Richards' then agent, David Cobb, to take Lara on as a client. Richards' own agent was leaving the business and could not do it himself. "I went to see him up at Worcester," Barnett said. "Viv introduced me to Brian Lara and said, 'This guy is going to be a star.'"

Sponsorship came early. Since he was a teenage batting sensation in Trinidad, Angostura Bitters has been a backer, putting Lara on the payroll as a public relations consultant. Smaller local firms have paid for coaching sessions and equipment. "The ones who sponsored him early we have kept on," Barnett said. "And we haven't raised the rates."

The first sponsorship deal arranged by Barnett was a $10,000-a-year contract with Oakley, the US-basad sunglass manufacturer, which also signed similar contracts with two other Pakistani cricketers, both clients of Barnett. Although Barnett was unsuccessful in negotiating a sponsorship arrangement for Lara with BWIA, the West Indian airline, Lara was given the equivalent of £40,000 worth of free air miles for himself and his mother, Pearl.

When Shami Ahmed, chief executive of Joe Bloggs sportswear, saw Lara step off an aircraft after his triumphant West Indies tour in

April, wearing a Joe Bloggs shirt, he approached Barnett about a deal. Lara wears the company's jeans and T-shirts exclusively whenaver he wears casual clothing, and the company is marketing a line of shirts and trousers to capitalise on his batting score.

It was Barnett who initiated the deal with MAM. David Manasseh, Barnett's partner, said he spotted MAM's use of vivid sports imagery in the company'e first-ever print advertising campaign and asked whether it would like a real sports superstar to promote its image. The answer was a resounding yes.

But despite the higher profile that Lara has brought to the game and to his sponsors, questions are being raised by sports commentators and other cricketers about the effect of the sponsorship contracts on his talent. He has been criticised in the press for taking out a mobile phone on the field, with commentators pointing out that one sponsor is a mobile phone company.

Such actions have not endeared him to his team-mates, and threaten to undermine the widespread public admiration for a man who, off the field, is widely described as modest, gracious and warm.

Ted Dexter, former England team captain and former head of the England Test Match Selectors, says: "Yes, there is such a thing as too much sponsorship. The fact is you can't just turn playing concentration on and off."

However, he says, Lara will have to learn how to juggle his interests, just like other leading sports figures such as Botham and David Gower. Dexter, who now heads a sports sponsorship firm bearing his name, is sympathetic. "Lara just wante financial security like the rest of us," he says.

Barnett dismisses the carping as "jealousy and naivete", and says that all Lara's sponsorship activities should not take up more than 14 days a year in total.

He argues that cricketers generally suffer from a kind of collective public view - fostered by sportswriters - that it is unseemly for them to earn large sums. He points out thet the cricket players' union, the Cricketers' Association, is funded by the Test and County Cricket Board, the owners' association, a relationship which limits the players' ability to campaign aggressively for better pay and conditions.

But if Lara continues to break world records, public sentiment is likely to endorse every penny he earns. In April, he broke the world record for the highest score in a Test innings when, playing for the West Indies, he made 375 against England. In June, be hit a world record for a first-class innings, 501 for Warwickshire, against Durham. He is the first cricketer to hold both world records since Sir Donald Bradman, widely regarded as the greatest batsman of all time.

Whatever deals Lara does, he has already made history.

Norma Cohen and William Lewis

Wish they were there

MPs may be exhausted, but so is the British public, says Philip Stephens

It has been a week for fresh faces and new political images. We saw the broad smiles of the incoming members of the cabinet as they stepped into the sunlight from the door of 10 Downing Street. Then the delight of Mr Tony Blair as he was anointed the youngest-ever leader of the Labour party. Even Mr Paddy Ashdown got into the act by shuffling the portfolios of the Liberal Democrats' rather smaller political team.

There was talk at Westminster of new battle lines being drawn, of government and opposition parties marking out the ground on which they will fight the next general election. That may well be true. History may judge this week as the beginning of a new era in British politics.

After all, who would have bet with any confidence three months ago that Mr John Major would look secure? And look secure at the very moment that Labour was choosing as its leader a 41-year-old public schoolboy committed to recasting socialism into social democracy?

There was tha odd dramatic moment also. Mr John Patten's dismissal as education secretary had been widely predicted. But no one was quite sure whether Mr Major would in the end have the courage to wield the knife. Mr Patten was devastated.

Mr Blair's coronation likewise had been discounted. But the image of the young leader telling his party he now had a mandate to ditch its precious dogmas is one that will stick in the mind. So too will that of Mr Neil Kinnock, the man who rescued Labour from extinction a decade ago, looking on witb the beaming satisfaction of a proud father.

But such moments mingled with palpable exhaustion. The politicians have fought themselves to a standstill. The electorate has looked on with undisguised disgust. Used car dealers, even journalists, attract more trust nowadays than political leaders.

Westminster is still disconnected from the real world. The pubs this weekend will not be buzzing with talk of Mr Jeremy Hanley's elevation to the Tory party chairmanship or of Mr Blair's promise of a crusade for change.

The voters are a shrewder bunch than the self-assured insiders who proclaim with absolute confidence that Mr Major is now safe; or that Mr Blair's middle-class accent guarantees Labour victory in two dozen of southern England's marginal constituencies.

Real people are still angry with Mr Major's government, very angry. But they will need convincing that a man who was barely out of university when Labour last governed Britain can do a better job.

Government and opposition face two more grinding years before a general election, which need not take place until the spring of 1997. As ministers and their opposition shadows prepared to clear their desks before heading for the beaches, you could almost feel them willing a summer of political peace.

They hope politics will remain on hold until they regroup in Bournemouth, Blackpool and Brighton for their autumn conferences. There will be time enough then to begin persuading a wider world that things have changed.

Mr Major's government is battered, demoralised hut most importantly still standing. The sensible people at the top of the government make no great claims for this week's extensive but uninspiring ministerial shake-out.

Journalists struggling to find a theme or a strategy were told not to waste their time. Reshuffles (with one or two spectacular exceptions) are not like that. Mr Major's priority was competent government.

Blair is a politician who leaves you feeling a bit uneasy, as the depth of his ambition sinks in

The sbake-up was designed to advance that cause by rewarding talent, punishing mistakes and putting round pegs into round holes. It was also intended to ensure that the Tory MPs left Westminster with the notion that Mr Major had at last restored his grip.

Tha Tory right might claim that it had done bettar out of the changes than the centre-left. Certainly the Thatcherites were happy with the appointment of Mr Michael Portillo to employment and Mr Jonathan Aitken as chief secretary.

But, as usual, Mr Major huilt in a raft of checks and balances. Mr Hanley, the unknown choice to run the Conservatives' general election campaign, is a pro-European protégé of Mr Chris Patten, a former chairman and now governor of Hong Kong. Mr Kenneth Clarke, the centrist chancellor, still holds the economic policy levers.

The economy is Mr Major's best hope. The latest statistics confirmed it is growing quite fast. Inflation for the time being looks subdued. The recent pace of falls in unemployment is unlikely to be sustained, but those in work should begin to feel a bit more secure.

But the economy won't be enough. The government cannot risk another reckless boom of the sort that puts real monay in the voters' pockets. Some time soon Mr Clarke is going to bave to raise interest rates.

The chancellor is less certain than almost everyone else in the Tory party that the public finances will improve sufficiently to allow him to bribe the voters with large cuts in income tax in 1995 or 1996.

Mr Major needs a prospectus, a tbeme, something that will persuade the nation he has an interest beyond clinging to office. He has been searching for one almost from the moment he entered Downing Street. But the Citizen's Charter will not do. Nor will Back to Basics. At this autumn's party conference, he needs to ignore the gimmicks and aim for both clarity and depth.

As for Mr Blair, so far he has not put a foot wrong. His promise this week was both to excite the electorate and to reassure them: excite them with the notion that Labour is the party of the change; reassure them with the promise it has abandoned its past. Almost unnoticed he borrowed a phrase from left-of-centre Toryism to encapsulate the message. We now have One Nation Socialism.

He is an attractive figure. The comparisons with Kennedy and Clinton are not as silly as they sound. He is much tougher than he looks: the sort of politician who leaves you feeling slightly uneasy as the depth of his ambition sinks in. And for the first time in living memory Labour has a leader who is shaping the framework of political debate.

Mr Blair is right to judge that Labour wins elections when it has a capacity to inspire the electorate. But despite the convincing nature of his victory (another powerful image was of the party's trade union paymasters relegated to the back of the hall as the result was announced), he must give substance to his philosophy. Voters can be enthused by ideas and by values. But they need policies to put them into context.

That leaves Mr Ashdown. It has been a dismal few weeks for the Liberal Democrats. The party's disappointing performance in the European elections last month has led the Westminster intelligentsia to write it off. Why should the middle managers of Basingstoke vote for Mr Ashdown, when Mr Blair is every bit as moderate?

It's an unfair assessment. The third party frequently has pcospered alongside a Labour resurgence. But Mr Ashdown needs to carve out a more distinctive niche – and to abandon the fiction that his party could just as well do a post-election deal with the Conservatives as with Labour.

Such decisions though can wait. For now, Mr Major, Mr Blair and Mr Ashdown should pause to enjoy their summer break. They can be certain the voters will not miss them.

Life with a frisky watchdog

Alison Smith on a bite back by UK financial services regulators

City of London watchdogs have been snapping with particular vigour this week. They almost seem to have been competing to see which could be toughest on the financial organisations they regulate.

Two household names – Nationwide Building Society and Barclays' Life – have been bitten over the past few days, and there are rumours that others may become victims.

On Tuesday came the news that a visit from Lautro, the self-regulatory organisation for the life tosurance industry, had led Nationwide, the UK's second-largest society, to bar temporarily its 1,300 financial services staff from giving financial advice.

The next day, the Securities and Investments Board, the City's chief regulator, gave a rare public rebuke to Barclays' Life, the life and pensions arm of the high street bank, for shortcomings in the training and supervision of its 1,000-plus staff.

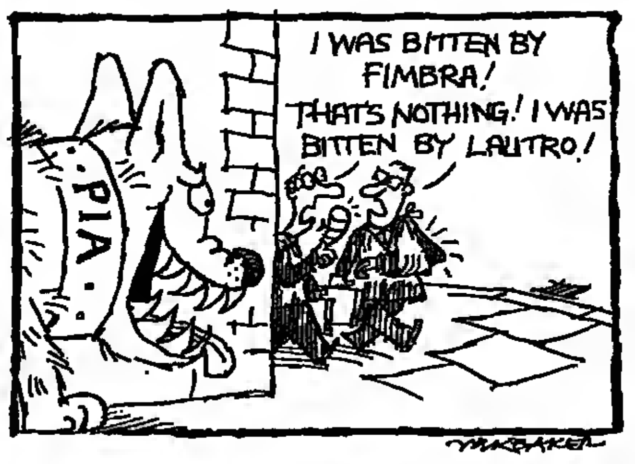
Such actions are signs of a toughening in regulators' attitudes towards the organisations they supervise, and have been welcomed by some of those who have previously criticised the watchdogs for being too lenient.

For instance, after Lautro's visit to Nationwide, Mr Stephen Locke, director of policy at tbe Consumers' Association, commented: "We're disappointed that the regulator did not do it earlier, but it's better late than never."

The irony is that the burst of disciplinary activity by Lautro – which has fined more organisations in the first half of this year than in either 1992 or 1993 – will not stop its being put to sleep next year.

Its successor, the Personal Investment Authority, began operations at the start of the week. The PIA was set up after a long debate about reforming a widely-criticised system in which regulation of retail financial services is split between Lautro and Fimbra, which supervises independent financial advisers. The division led to complaints of inconsistent standards.

Another criticism of the old regime was that the regulators were too close to the industry they supervise. Such concerns were revived this week when a leaked memorandum about a Lautro inquiry into the selling by Prudential Corporation, the UK's largest life insurer, of personal pensions to people transferring out of occupational schemes, had suggested that Prudential was trying influence its regulator.



But even though the arguments for reforming the old system remain compelling, the outhreak of activity by Lautro has highlighted two broad problem areas that mean the transition to the PIA is unlikely to be smooth:

First, by illustrating how even household names such as Barclays have got it wrong, tbe discipline imposed this week has reinforced widespread public concerns about standards of selling to private investors.

'The danger with the way it happens now is that it loses a lot of confidence in the industry'

Second, it raises the qnestion of whether the PIA, like Lautro which was set up in 1986, will take several years to become effective. Given the controversy it has already attracted, the new regulator could not afford such a delay: it has already been snubbed by Prudential – which exercised its right to be regulated directly by the SIB. Even some of the companies that applied to join the PIA believe it will not be effective. If it fails to make its mark swiftly, a move to a full-blown statutory system of regulation is likely to return to the agenda.

The first of these two problems is the more serious, especially since the sector already hasan image problem. Mr Jim Stretton, deputy managing director of Standard Life, the UK's largest mutual insurer, believes the retail financial services industry is in a vicious circle: "Each fine, far from increasing public confidence that the system is working, awakens more suspicions in people's minds."

Similarly, Mr Philip Scott, the life and pensions general manager at Norwich Union, which received a record £300,000 fine from Lautro in April, says: "The danger with the way it's currently happening is that it loses a lot of confidence in an industry whicb is really needed . . . There is a risk of people heing frightened away from looking after their future."

He is confident, however, that an effective regulatory regime is the long term answer to tbe industry's prohlems, even if that means short term discomfort for practitioners. For example, be believes that the PIA's application of Lautro's training standards, which are seen as more stringent than those of Fimbra, across tha industry will be important.

Many in the financial services industry also helieve there will be benefits simply from having a different regulator able to make a fresh start and weed out organisations which do not meet tbe new, higher standards being set.

Other life company executives believe that the poblicity snrrounding disciplinary action has begun to make senior managers and directors pay detailed attention to meeting regulatory requirements. As Mr Steve Maran, chief executive of Lloyds Abbey Life, puts it: "My board wants to discuss compliance issues at every meeting."

Mr Gareth Marr, deputy chairman of Fimbra, believes that many in the industry have altered their attitude towards complying with regulatory requirements, but the difference will take a while to show. "They have learnt that they can't get away with it any more," he says, "hut the change doesn't happen overnight".

That change in attitudes leads many executives in the industry to believe that, despite the uncertainties caused by the shift to a new regulator,the PIA will not face the same regulatory learning curve that both Lautro and Fimbra experienced. The PIA has already been tough enough to float the idea of imposing fines on individual board members of errant financial services companies.

Although the PIA is new, many of its staff come from the existing watchdogs. "The PIA has involved an enormous amount of people's energy but at least it has the benefit of staff who sbould he able to build on Lautro's work without losing too much momentum," says Mr Locke of the Consumers' Association.

But the PIA does not have much time. Mr Marr believes that it has only until the general election in 1996 or 1997 to prove itself effective, or find itself replaced hy a statutory regulatory regime. As a watchdog, it must he a cross between rottweiler and greyhound.

Lessons learnt the hard way

Robert Graham seeks explanations for Berlusconi's political troubles

This has been the week that Silvio Berlusconi lost his political virginity.

For a man who has spent more than 35 years as a businessmen and less than six months as a politician, it was always a possibility that the Italian prime minister'a political inexperience wonld trip him np. But few imagined Mr Berluscool conld commit such elementary errors.

Trying to burry through a clumsy reform of Italy's system of preventive detention, be hrought his right-wing coalition government close to collapse as alliance partners disowned his actimns. The situation was only saved by the withdrawal of the legislation at the expense of bumiliating Mr Berlusconi.

"The question now is whether Berlusconi can learn from his mistakes and put the incident behind him," observed one of his supporters, who has been dismayed by the prime minister's recent performance. "His image and his self-confidence have taken a beating; but we can't tell yet whether he has been permanently knocked off-course."

Ironically, television, the medinm which launched Mr Berlusconi, has become the instrument of his embarrassment. A man who can establish himself with extraordinary success to the public eye as a charmer and a winner, looks vulnerable when the smile disappears and political setbacks take their toll.

Television viewers have seen Mr Berlusconi oscillate between hurt pride, grim frustration and cold fury. He was even close to threatening his resignation in a nationwide television broadcast on Tuesday. The TV cameras were summoned to the prime minister's office but stood down at the last moment when Mr Umberto Bossi, the astute leader of the populist Northern League, promised to pull his party out of the coalition government if the broadcast went ahead.

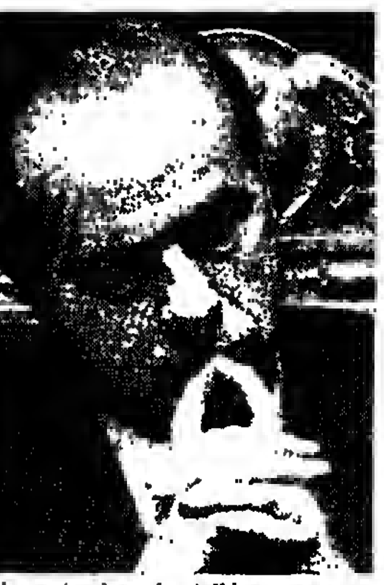
Yesterday, in a calmer mood, Mr Berlusconi admitted he suffered from possessing too much self-confidence, hinting that an element of hubris had set in.

But almost in the same hreath he was talking revenge: "As of Monday, I'll be telltog Italians the real story . . . Yon'll then see this affair will boomerang for many people."

The warning seemed addressed not merely to the League, which shamelessly reneged on its cabinet endorsement of the preventive detention decree to enfeeble Mr Berlusconi. It was also aimed at the press which this week sensed the prime minister's weakness and turned hostile after giving him a two month honeymoon.

So far no one – neither Mr Berlusconi, his entourage, his coalition partners or his opponents – has come up with an adequate explanation for the prime minister's awkward behaviour.

After heing in government only twn months it seems improbable that Mr Berlusconi should have been in such a hurry to tackle the judiciary's abuses of their powers of arrest and imprisonment. It is also hard to understand how someone so sensitive to pnblic opinion would approve a decree that allowed out of prison husinessmen and politicians who have become figures of hate for their involvement in large-scale corrupt practices.


Berlusconi: calmer, but talking revenge

Maybe the cabinet was unaware of these consequences and Mr Berlusconi focused on correcting the genuine excesses of the magistrates who have used imprisonment to extract confessions. Critics suggest Mr Berlusconi may have been concerned to protect his own Fininvest media empire from closer judicial inspection – though he would dismiss such claims as groundless. Yesterday advance extracts from twn weekly magazines, L'Espresso and Panorama, suggested the Milan magistrates who resigned in protest over the decree were investigating the links between a member of the Guardia di Finanza (the financial police) arrested in April on corruption cbarges, and Fininvest's tax department.

But even an element of self-interest does not fully explain an action which has caused Mr Berlusconi such discomfort. Part of his self-inflicted damage undoubtedly came from overestimating his skills as a polltician and a communicator to the wake of bathing in the international publicity of a successfully bosted G-7 summit.

A more complete explanation must come from the kind of advice the media magnate turned politician has been getting from his close circle of associates. Mr Berlnsconi entered politics in January surrounded by a small gronp of friends who were all either directly or indirectly linked to Fininvest. They are still with him and have had to change from protecting Mr Berlusconi's interests as owner of Fininvest io looking after these interests as prime minister.

In any circumstances the metamorphosis from being courtiers and managers to executive politicians is a big adjustment. Bnt to make this change at a time when Italy has seen its traditional parties collapse and complex decisions are needed on economic policy and reform of Italy's institntioos reqnires a team of exceptimal calibre. It is arguable whether they are np to the task. Few have direct political experience beyond tbis year. The group includes:

- Mr Glanni Letta, furmer editor of Tempo, tbe daily linked to ihe Rome Christian Democrats, and nnw the chief of staff in the prime minister's office. He joined Fininvest as Mr Berlusconi's "diplomatic" representative in Rome at the crucial moment to the late 1980s when he was lobbying for foll commercial television licences.
- Mr Marcelln Dell'Utri, the manager of Publitalla, Fininvest's advertising arm and friend of Mr Berlusconi's since student days. He was instrumental in encouraging Mr Berlusconi to enter politics and helped organise Forza Italia as a political movement through the Publitalia network.
- Mr Fidele Confalonieri, the chairman of Fininvest, another friend of student days who helped Mr Berlusconi found his business empire.
- Mr Cesare Previti, Mr Berlusconi's lawyer with a reputation as a successful intermediary between business and government who is now defence minister (Mr Berlusconi was talked ont of making him justice minister).

If the government coalition were cobesive, Mr Berlusconi would probably have felt more comfortable with a larger circle. But the two main partners, the League and the neo-fascist MSI/National Alliance of Mr Gianfranco Fini, are constantly afraid they will become submerged by the force of Mr Berlnsconi's personality and accumulated anthority. This makes Mr Berlusconi wary of Mr Fini and openly mistrustful of the League.

As a result his kitchen cabinet, though by no means unanimous, has encouraged Mr Berlusconi to assert himself – hence his various confrontations with Mr Bossi that reached a climax this week.

If Mr Berlusconi wishes to survive, he may have to adopt a more collegiate approacb to government. In this way, if the League challenge's him again, the blame for any public embarrasment could, unlike this week, be shared more evenly.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

The right time to improve financial services rules

From Mr S W Hond.

Sir, The decision of Mr Justice Lightman to dismiss the action for damages by Melton Medes against the Securities and Investments Board constitutes an important clarification of the regulator's powers.

However, the case is ironic for drawing attention to the inadequacy of SIB's powers under Section 179 of the Financial Services Act. This section is excessively restrictive in that it prevents the SIB from releasing prescribed information to private litigants ("customers" in financial-services parlance) in the position of the plaintiff beneficiaries in the Melton Medes case, even if a court order bad been obtained.

This issue gave rise to great concern among members of the social security committee when they were interviewing Prof Roy Goode in connection with the report of the pension law review committee. The report of the PLRC noted: "The ability of existing regulators to exchange information among themselves is severely handicapped by statutory restrictions on the use for one regulatory purpose of information obtained for another."

Pcof Goode's committee recommended that such statutory restriction should be removed and tbe government has emhraced this principle in its recent white paper.

However, this would not rectify the pcoblem which relates not ouly to the exchange of information between regulators hut also between regulators and private litigants. There is a clear need for legislation in this area empowering the courts to direct the release of information beld hy a regulator to any person the court deems appropriate.

Given that the government has recently published its white paper on pensions and is in the process of preparing the pensions hill, now would seem to be a good time to improve the interaction of regulatory rules and trust law principles.

S W Hand,
specialist adviser, social security select committee,
Dibb Lupton Broomhead,
125 London Wall, London EC2

Sensibilities blunted by years of welfare

From Mr Dominic Hobson.

Regular readers of Joe Rogaly's column do not doubt that he is fired with the anger of the disinherited. He is right to remind us of the deterioration in the material conditions of of the poor since 1979.

But in arguing tbat "The Tory right cannot easily persuade us that kindness, the essence of charity, figures in its calculations", he perpetuates tbe commonest fallacy of collectivist thinking.

The willingness of politicians to advocate the redistribution of the income and wealth of others, and of their supporters to vote for it, is not moral, nor kind, nor altruistic, nor charitable.

It is merely the coercion and expropriation of one section of the population hy another.

"We can never have regard to the virtue of an action," as David Hume reminds us in *A Treatise of Human Nature*, "unless the action be antecedently virtuous. No action can be virtuous, hut so far as it proceeds from a virtuous motive."

In social welfare, the authentic moral choices are those which men and women make with their own time and money and not those which they are compelled to make hy the state.

The virtuous do not merely abide by the law hut exercise their moral faculties and personal judgment.

Unfortunately, the state now takes such a large proportion of personal incomes, and monopolises so many aspects of welfare, that both the opportunity and the means of making peraonal moral choices have quite shrivelled up.

It is 50 years of the welfare state, not 15 years of Thatcherism, which has blunted our sensibilities.

Dominic Hobson,
62 Manchuria Road,
Battersea,
London
SW11 6AE

Subsidies would create opportunities for apprentices

From Mr Alasdnir MacConachie.

Sir, As a motor retailer and a private company, employing 75 technicians in our after-sales activity, I feel very strongly that if the government or Training and Enterprise Councils were to put more resources behind the training of apprentices, there would be great opportunity for training youngsters.

The motor trader apprentice scheme is regarded as one of the best available. Many of us, however, cannot afford to invest as much as we would like in the development of young technicians.

If there was reasonable subsidy behind apprentice training I am sure you would see significant numbers of school leavers being given an excellent opportunity.

Alasdair MacConachie,
managing director,
Sherwoods,
Chestnut Street,
Darlington,
Co Durham DL1 1RJ

Focusing on successful technological innovation

From Mr John Dodd.

Sir, The article by Tom Foremski, "When IT fails to measure up" and Guy de Jonquieres' argument against the benefits from investment in high technology, raise crucial issues.

One of the less well poblicised results of the EU Corfu summit was the acceptance of tbe Bangemann report, the thrust of which is that rapid deployment of the 'information society' is central to Europe's, and therefore the UK's, competitiveness.

At the heart of the issues being raised is the insufficient understanding by business managers of the implications of the technology they are using and technologists' lack of awareness of the business implications of what they are developing and installing. (This, incidentally, is one of the causes of the UK's ability to innovate but relative inability to capitalise on innovation.)

The FEI, the trade association for the electronics industry, is stepping up its efforts to address these issues. Two areas come to mind fur action.

First, European and UK government sponsored research and development. Here, tbe focus continues to be heavily on new technological projects with less attention paid to the processes in the technical community which move projects to practical application. Virtually no attention is focused on the behaviourial, management and social inhibitions to successful implementation.

Second, UK educational policy lacks those elements that will enable people to implement technology for business benefit and to understand the importance of creating value and commercial success.

If these are not the right issues we need to find those that are. We cannot afford to continue with either the reality or a perception that the millions poured into IT and other high technology is wasted.

John Dodd,
director, ICT,
FEI,
Russell Square House,
10-12 Russell Square,
London WC1B 5EE

From price war to bid battle?

Neil Buckley on the likelihood of J Sainsbury entering a fight for control of Wm Low

A counter-bid next week by J Sainsbury to Tesco's agreed bid for Wm Low, the Scottish supermarket group, is widely expected by the City, but some analysts remain doubtful that the UK's biggest food retailer will enter the fray.

Ever since Tesco, the UK number two, unveiled a recommended bid worth a total of £200m for the Scottish chain nine days ago, speculation has been rife about a bidding war.

Tesco's 225p a share bid values Wm Low at £154m, and it would assume debt of just over £50m. Low's shares closed up 3p at 265p yesterday, in the clear expectation that either Sainsbury would enter the game, or Tesco would be forced to raise what is now being seen as a low offer.

Wm Low, which has 57 stores and 6 per cent of the Scottish market, confirmed on Monday that it had responded to a request for information from Sainsbury.

Sainsbury might have been taking advantage of UK company regulations during takeover bids to gain information about a competitor. But the City has interpreted its silence this week as a sign it was weighing up a bid.

There are, however, two main reasons why Sainsbury might not make such a move.

One is corporate culture. A hostile bid would be out of character for a company that retains some of the ethos of a family business.

But while such a move might have been unthinkable for Lord Sainsbury of Preston Candover, the patrician former chairman, many analysts believe Mr David Sainsbury, his cousin and successor, would have few qualms – provided he thought it made commercial sense.

That is the second, and more likely, reason why Sainsbury might hold back. The group indicated strongly when announcing its results in May that the US was the likely venue for expansion. Rumours have been circulating this week that Sainsbury may be closer to making a US buy than previously thought, and may wish to save its money.

Set against that are strong commercial arguments for expanding into Scotland which, unlike much of England, is under-provided with superstores.

Only Argyll, whose Safeway and Presto chains have 16.6 per cent of the Scottish market according to research group AGB, and Asda with 12.2 per cent, have a significant presence. Co-operative societies have 8.9 per cent, but small independent grocers dominate many areas.

Sainsbury, which has 4.6 per cent and until last year had only one superstore in Scotland, has firm intentions to expand there. Its first superstore in Edinburgh last year was one of its most successful openings in years.

But expansion has been difficult. It has been outbid by Safeway for two prime sites, and fought battles with Glasgow city council and Strathclyde regional council over planning permission for others.

Buying Wm Low would be a quick way of more than doubling Sainsbury's Scottish market share. The same logic, of course, attracted Tesco, which has a 7.1 per cent market share in Scotland.

Analysts believe either group could enhance the performance of Wm Low stores by cutting overheads and absorbing them into their business, and the purchase could add about 5 per cent to their pre-tax profits.

Many believe Sainsbury has nothing to lose by bidding. Tesco's offer is seen to price Wm Low cheaply, with Bell Lawrie White, the Scottish broker, valuing its assets at 248p a share.

If Sainsbury were to be successful with a bid at 260p or 270p, the market would still consider that a good price.

If Tesco responded by raising its bid to 290p or 300p, Sainsbury would have the satisfaction of having forced its rival to pay an extra £60m. Alternatively, Sainsbury could launch a "knock-out" blow of 300p or more, to try to ensure victory.

"I can't see the downside for them in bidding," said one analyst. "They won't want to see Tesco get it on the cheap."

Trevor Humphries
David Sainsbury: any bid would have to make commercial sense

Argyll changes stockbroker

Argyll, the UK's third-largest grocery retailer, has replaced Warburg Securities with BZW as its stockbroker. BZW will be joint brokers with Panmure Gordon. No reason was given for the move. Argyll, however, has long been thought to be not entirely comfortable about Warburg also being broker to J Sainsbury.

Novopharm sues Glaxo in dispute over drug formula

By Daniel Green

Glaxo, Europe's biggest drugs company, was sued yesterday for $300m (£194m) in potential lost sales and punitive damages by Novopharm, a Canadian company. Glaxo shares fell 14p to 574p.

Novopharm's action was an immediate response to a Glaxo suit alleging patent infringement by the Canadian company.

At stake are the $1.9bn a year US sales of the world's biggest selling drug, Glaxo's ulcer treatment, Zantac.

The dispute centres on the fact that Zantac is protected by two patents, one that expires in the US at the end of 1995 and the other in 2002.

The two patents refer to slightly different forms of Zantac's active ingredient, forms one and two. The Zantac Glaxo sells is based on form two. Novopharm wants to sell form one after 1995, but Glaxo says that the Novopharm product infringes form two patents.

By taking patent action under US law, Glaxo will delay the launch of Novopharm's drug by 30 months, well past the expiry of the form one patent. This would have the effect of extending the period during which Zantac is protected from competition and led yesterday to the statement by Mr Leslie Dan, Novopharm's chief executive, that "the action by Glaxo is totally frivolous".

Novopharm's countersuit "claims huge damages based on any potential loss of sales if the product is delayed in its marketing beyond December 1995," said Mr Dan.

Glaxo said that the countersuit "was not unexpected" and reiterated its belief that it had a good case.

Two months ago, Glaxo took similar patent action against a subsidiary of Ciba, the Swiss drugs company which, like Novopharm, said it wanted to sell form one from 1996. Ciba did not counter sue.

Glaxo added yesterday that it had "discovered" that form one tablets were on sale in Denmark and New Zealand where the patents protecting Zantac are weaker. It is studying samples and looking for ways to invoke patent laws. It said it continued to believe that it was not possible yet to make form one without infringing form two patents.

Failed bid throws spotlight on dual roles of Enterprise chief

By Peggy Hollinger

Mr Graham Hearne is expected by the end of the year to surrender his role as chief executive of Enterprise Oil, the independent oil company which earlier this month failed to take over rival explorer Lasmo with a controversial £1.6bn bid.

Institutions are thought to be keen to take the opportunity presented by the failed bid to press Mr Hearne for an early division of his roles as chairman and chief executive.

Mr Hearne, who is to retire in three years at 60 – the company's normal retirement age – had previously indicated he would relinquish one of the posts at some stage.

"If he had not tripped up he would have got away with it," said one investor. "Having tripped up, it is another story."

Institutions are also thought to be strongly advocating that an outsider should fill the chief executive's post. This would appear to rule out Mr Michael Pink, the former Shell executive who was appointed as Enterprise's chief operating officer in May.

"It has to be an outsider to be meaningful," said one institution. "Everyone inside the company owes too much to too many people to be really independent."

There was some speculation in the industry and the City that Mr Sam Laidlaw, managing director of Amerada Hess, the US oil group, or Mr Lance Johnson of Mobil Oil could be possible candidates.

Mr Laidlaw yesterday refused to comment. He said, however, that speculation of an approach from Enterprise was "without foundation".

Mr Andrew Shilston, Enterprise's finance director, said the company had not had discussions with anyone regarding the chief executive's post.

TT makes agreed £16m offer for Dale Electric

By David Wighton

Dale Electric, the North Yorkshire-based generator manufacturer, has agreed a £16m bid from TT Group, the acquisitive conglomerate.

TT's offer of 70¼p a share cash is recommended by the directors headed by Mr Iain Dale, chairman, who have accepted the terms for their 3.5 per cent holding. TT already owns a further 3.5 per cent.

Mr Dale expressed sadness that the company was giving up its independence after 59 years but said it needed to be part of a bigger group to survive in increasingly competitive international markets. "In the last 10 years we have not been able to offer consistency of profits and the best way forward for the business is from within another group."

The company was founded in 1935 by Mr Dale's father Leonard, a milkman and cinema projectionist. After enjoying strong growth in the 1970s, Dale was hit hard by the recession in the early 1980s and more recently by the downturn in aviation markets and unfavourable exchange rates.

Dale's results for the year to May 1, released yesterday, showed sales down from £60.1m to £48m, of which half were exports, and a pre-tax loss of £4.15m (£1.34m profits). This was struck after £3.44m of exceptional charges and £926,000 of interest.

The company returned to an operating profit in the second half but is not paying a final dividend.

Mr John Newman, joint chief executive of TT, said he was happy that Dale's finances had been "cleaned up" and was confident that returns could be improved rapidly. He could not comment on prospects for the group's 700 employees but said: "Our intention is to grow the business."

In 1987 Dale fought off a bid worth 136p a share from Sunleigh and the shares reached a high of 147p in 1989. They closed at 61p, up 1p, yesterday before the bid was announced.

As an alternative to cash TT is offering one of its shares for every five Dale, valuing each at 70.2p.

Warner Estate in deal with Merivale

By Peter Franklin

Warner Estate Holdings yesterday announced it was to take a 20.5 per cent stake in fellow property company, Merivale Moore.

The shareholding will result from the issue by Merivale to Warner of 3.5m new shares as part consideration for a £6m portfolio of commercial properties, typically high street shops, being purchased by Merivale.

The shares will be priced at 90p apiece or a sum equal to 90 per cent of the pro forma net asset value of Merivale at June 30, whichever is the lower. The balance of the consideration will be payable in cash.

Merivale has suffered two years of losses, but returned to the black in the half-year to end-December 1993 with a pre-tax profit of £133,000.

The company has been following a strategy of disposing of low or non-income producing assets and concentrating on building investment income in higher yielding industrial and retail investments.

In May this year it sold its remaining two office buildings at Vision Park, Cambridge. This holding had dominated the portfolio, accounting for some 25 per cent by value while contributing just £250,000 of income in 1993-94.

Merivale now has a small exposure to property development and a limited involvement in the residential sector.

Merivale shares closed up 11p to 71p. Warner's shares were unchanged at 243p.

UK Safety shares fall on warning

By Caroline Southey

A profits warning from UK Safety Group, the Bristol-based specialist shoe maker, knocked 14p off the share price yesterday which closed at 51p.

Mr John Newman, finance director, said full-year results would fall short of market expectations.

Operating margins were under pressure in a highly competitive market and the price of leather had also been rising steadily.

The volume of Ministry of Defence sales, which make up 16 per cent of turnover, were down although despatch levels to the MoD in the second half were closer to plan.

But, he said, the company's manufacturing and selling organisations had been restructured to cut operating costs.

UK Safety came to the market in May last year through the reverse takeover of TSW, the former independent television contractor for the south-west of England.

In March it reported pre-tax profits of £1.6m for the year to end-December.

The results included the trading activities of the Bristol company for the eight months following the reverse takeover.

The company is due to report interim results in early September.

Black Arrow dips to £1.6m

Reduced pre-tax profits of £1.6m, compared with £2.03m, were announced by Black Arrow Group for the 12 months to March 31.

However, last time there was an exceptional £668,000 profit on a property disposal.

Turnover dipped to £19m (£20.4m) with the office furniture manufacturing, distribution and partitioning side contributing £17.8m (£18.9m), and leasing and instalment finance £1.29m (£1.52m).

Mr Arnold Edward, chairman, said trading had improved during the latter part of the year and the upturn had continued into the first quarter.

Earnings per share slipped to 4.16p (5.02p) but the dividend is held at 2.6p with an increased final of 2.1p (1.6p).

Jupiter fund management move

By Norma Cohen, Investments Correspondent

Jupiter Tyndall, the international fund management group, yesterday announced its widely-expected acquisition of Queen Anne's Gate Asset Management in a deal valued up to £10m cash.

Mr Charles Crowther and Mr Peter Adderson, directors of QAGAM, will become directors of Jupiter.

QAGAM is the former fund management arm of the now-privatised water companies; it has roughly £2bn in pension fund assets under management.

In the year to March 31 it achieved profits of £300,000 and had net assets of £800,000.

Although QAGAM has had above-average performance, it has only a few – but very large – clients. Even the loss of one or two could have a significant negative effect on profits and it has been seeking a buyer for several months.

Jupiter's move is in line with its stated strategy of disposing of banking businesses to concentrate on expanding fund management activities.

Lower exceptionals cut deficit at Ascot

Lower exceptional costs and reduced finance charges enabled Ascot Holdings, the property, pubs and hotels group formerly known as Control Securities, to cut pre-tax losses from £79.6m, restated for FRS 3, to £6.88m in the year to March 31.

Operating profits were £10.4m (£8.64m) including £2.43m (£2.49m) from discontinued activities, giving a 29 per cent increase on continuing operations. Net exceptional profits added £1.03m against costs of £58.1m, which took into account a £53.4m deficit on the revaluation of fixed assets. Net finance charges were £18m (£30m).

Mr Howard Dyer, chairman, said trading in the first two months of the present year was on plan.

He added, however, that the company remained highly geared with negative net assets although borrowings were cut over the year from £233.5m to £141.4m. In addition, bondholders interest becomes payable from 1996 and the bank facilities remain on demand.

As a result the company is working on a financial restructuring. This follows a restructure involving bondholders in June last year.

During the year there were 80 asset disposals as well as the sale of Belhaven Brewery and Heywood Business Park.

Turnover was £77.9m (£80.1m) with £19.3m (£24m) from discontinued activities. Continuing operations showed an increase of 4.4 per cent.

Losses per share were 2.1p (21.8p).

GKN helicopter compensation hopes rise

By Tim Burt

Westland, the GKN subsidiary, has moved a step closer towards winning a cash settlement from the Arab Organisation for Industrialisation over cancelled orders for up to 250 helicopters.

The group's hopes were lifted after Mr Justice Colman, the commercial court judge, granted an application by the helicopter manufacturer to extract compensation from the AOI's UK-held bank accounts.

The move follows a 14-year battle between the AOI – representing the governments of Saudi Arabia, Qatar and the United Arab Emirates – and Westland, the subject of a hostile takeover by GKN earlier this year. Proceedings first began following the Camp David peace treaty in 1979, which prompted the AOI to abandon plans to buy Westland helicopters built under licence in Egypt. Lawyers acting for Westland have been seeking compensation from the AOI since June last year, when it was awarded £385m damages following arbitration proceedings in Geneva.

The group has so far recovered £25m from AOI accounts in the US and £115m in France, leaving £245m plus interest outstanding. The AOI is expected to appeal; GKN said it was exploring ways of reaching a amicable settlement.

Fancy a tipple? John Hedderson, managing director, (left) with Tom Hedderson

Gibbs Mew expands estate with £12.8m Centric buy

By Tim Burt

Gibbs Mew, the Salisbury-based regional brewer, yesterday accompanied sharply increased annual profits with the £12.8m acquisition of Centric, the Midlands pub group.

The all-paper transaction, involving the issue of up to 3.21m ordinary shares at 400p, will bring an additional 197 pubs into the group's estate, taking the total to 318.

The move follows six months of talks with Centric, which was only formed in 1992 when it purchased 173 pubs from Bass.

Mr Tom Hedderson, chairman, said the deal would enable the USM-quoted group to develop three core areas: brewing of traditional ales such as The Bishop's Tipple; warehouse distribution and estate management.

"We have no ambition to be a mega-brewer, but this acquisition will allow us to continue with steady and comfortable growth," he added.

Gibbs Mew also moved to strengthen its balance sheet by announcing a £13.6m rights issue, which will be used to reduce borrowing. Gearing is expected to fall from 65 per cent to 50 per cent – equivalent to pro forma net borrowings of £20.4m – following the issue, in which existing shareholders will be offered 4.28m ordinary shares at 340p. The shares fell 27p to 391p yesterday.

The issue, underwritten by Samuel Montagu with Panmure Gordon as brokers, is being made on a 2-for-3 basis.

Once the acquisition and rights issue have been completed, the holding of the Gibbs family and current directors is expected to fall from 64 per cent to 35 per cent, while the shares issued to Centric will represent 23.1 per cent of the enlarged capital.

Steady volumes in Gibbs Mew's west of England heartland and a full year's contribution from UK D, the wholesaling operation, helped pre-tax profits jump to £3.06m (£1.04m restated for FRS 3) in the year to April 2.

The figures were flattered by lower interest charges and a £363,000 (£154,000) profit on the disposal on surplus properties.

Nevertheless, Mr Hedderson claimed that operating profits of £3.74m (£2.7m) on increased turnover of £33.9m (£28.7m) showed that the brewer had defied a 2.5 per cent decline in national beer volumes.

Earnings per share rose from a restated 15.33p to 33.51p and a final dividend of 5p makes a total of 8.75p (7.5p).

Centric, meanwhile, made pre-tax profits of £55,000 in the year to March 26, against losses of £1.18m. Before interest payments on bank and brewery loans, however, it made operating profits of £3.94m (£2.76m).

NEWS DIGEST

Sycamore warns of write-offs

Sycamore Holdings, the lossmaking office, hospital and garden furniture group, yesterday postponed its interim results and warned of substantial write-offs this year.

Its shares fell ¾p to 1¼p.

The announcement comes just three days after the resignation of non-executive director, Mr Michael Hunton.

The group said its bankers were reviewing the level of financing facilities in light of the expected provisions. Sycamore has been in discussions with its bankers since last year, when the value of net assets fell to less than half its called up share capital.

The results have been delayed pending a review of trading at Cygnet, a wholly owned subsidiary.

London and Man

London and Manchester, the Exeter-based life assurance and financial services group, reported a 3.5 per cent rise in annual premiums for the half year to end-June. Corporate pensions business was up by 29.9 per cent.

New single premiums, excluding managed fund investments, rose by 3.9 per cent, but managed funds were lower.

Greenfriar

Greenfriar Investment, part of the Henderson Touche Remnant stable of investment trusts, reported a net asset value of 444.7p per share as at June 30.

The figure compared with values of 491.5p at end-December and 435p at end-June 1993.

The value per warrant was 110.7p, against 157.5p and 101p respectively.

Attributable revenue for the six months amounted to £378,000, against £470,000, for earnings of 3.28p (4.08p). The interim dividend is lifted to 2.2p (2.15p) and the directors intend to at least maintain the total for the year at 4.5p.

Baring Tribune

Baring Tribune Investment Trust had a net asset value of 367.8p per share at June 30 – a year-on-year advance of 6 per cent, but a decline of 12 per cent since the trust's December year end.

The trust, which seeks long-term growth through an international portfolio, reported net revenue of £1.16m for the six month period, down from £1.79m last time. Earnings per share dipped to 2.26p (3.5p) but the interim dividend is maintained at 1.7p.

Biotechnology Invs

Biotechnology Investments saw its net assets fall in the year to May by 10 per cent to $182m (£117m). Net asset value per share fell from $3.46 to $3.28.

However, this outperformed the biotechnology sector as a whole, which fell by 20 per cent over the same period, Lord Armstrong of Ilminster, chairman, said.

The group, which is quoted on the London stock exchange, has most of its investments in the US and expresses its results in dollars.

Buckingham

Buckingham International, the hotels and property group, has suffered another setback after the High Court made a £3.7m judgment against it.

The judgment arose out of the 1986 purchase of the World Wide Dryer business. Buckingham is considering an appeal.

Buckingham, which reported a pre-tax loss of £104m in the year to October 31 after substantial write-downs on properties in the UK and Portugal, is currently working through an asset disposal programme to reduce its £92.9m debt.

Equitable Life

Equitable Life Assurance has purchased Direct Line's regional headquarters building in Leeds for £27m. The seller was the Leeds Permanent Building Society. The building is currently producing rental income of about £1.6m, with a passing rent of £13.75 per sq ft.

The office block, Direct Line House, comprises 90,000 sq ft of offices on nine upper floors, and an additional four shop units at ground level.

W Canning

W Canning, the speciality chemicals and electronic components group, has sold its electronic component distribution division to its management.

The division, to be called Innovative Electronic Components Group, has a network of distribution companies in Italy, France and Germany, and will acquire Future Components, a UK distributor.

Finance of £19.5m is being provided for the deal, which is being backed by CINVen, the venture capital company, with NatWest Acquisition Finance providing senior debt and working capital.

Abbey National

Abbey National Financial Services, the financial advisory subsidiary of Abbey National, has bought GM Benefit Consulting Group, the pensions consultancy, for an undisclosed sum.

Net assets of GM Benefit, a Guinness Mahon offshoot, were valued at £409,000 at May 31.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Baring Tribune	int	1.7	Sept 16	1.7	-	8.8
Black Arrow	fin	2.1	Oct 3	1.6	2.6	2.6
Dale Electric	fin	nil	-	-	1	5.1
Gibbs Mew §	fin	5	Oct 3	4.5	8.75	7.5
Greenfriar Inv	int	2.2	Sept 9	2.15	-	4.5
NatWest Smaller	fin	2.3¶	Sept 30	1.875	3.425	3
Smaller Cos IT	int	1.2	Oct 28	1.2	-	2.6

Dividends shown pence per share net. §USM stock. ¶Includes special 0.425.

INTERNATIONAL COMPANIES AND FINANCE

Apple's third quarter tops market expectations

By Louise Kehoe in San Francisco

Apple Computer yesterday reported higher-than-expected third-quarter earnings, as sales of its new "Power Macintosh" products introduced in March advanced strongly.

Third-quarter revenues were \$2.15bn, up 15 per cent on a year ago.

Net income for the quarter, before the effect of a one-time gain, was \$59.5m, or 50 cents a share. In the same period last year, Apple had earnings of \$10.6m, or 9 cents, before restructuring charges totalling \$320.9m.

Part of this charge was reversed in this year's third quarter, producing a gain of \$126.9m, or \$78.7m after tax.

The company said it had modified and eliminated some of its original restructuring plans due to lower-than-expected expenses and changing market conditions. These plans had included moving certain operations to new locations in the US.

Accounting for the effects of these items, net income for the quarter was \$138.1m, or \$1.16 a share, compared with a net loss of \$188.3m, or \$1.63, in the third quarter a year ago.

Apple said it shipped more than 200,000 of its Power Macintosh personal computers during the quarter, up from sales of 150,000 units in the second quarter.

"We are pleased to see industry support building around the Power Macintosh. More applications are arriving from software developers, and customer response to this new industry platform has been very good," said Mr Michael Spindler, president and chief executive.

Increased sales of Power Macintosh, and the company's latest notebook computers, helped to drive gross margins up significantly in the quarter, to 26.7 per cent of sales from 24.0 per cent in the previous quarter.

"Over the last quarter we have improved our financial model, controlled our costs, and managed our working capital extremely well," said Mr Spindler.

For the first nine months of 1994, Apple reported revenues of \$6.7bn, up from \$5.8bn a year ago.

Net income after restructuring charges and reversals was \$195.5m, or \$1.65 a share, for the nine months, compared with \$83.9m, or 70 cents.

Westinghouse slips to $75m

By Richard Tomkins in New York

Westinghouse Electric, tha struggling US conglomerate, yesterday reported a fall in net income, to \$75m from \$84m, for the second quarter. Revenues were down from \$2.15bn to \$2.11bn.

Broadcasting, Thermo King, energy systems and WCI Communities were the only divisions to improve their contributions to operating profits. Electronic systems, government and environmental services, power generation, Knoll and other businesses were all down.

Mr Mike Jordan, chairman and chief executive, said the results were slightly above expectations. He said the company would accelerate its cost-reduction programmes as part of continuing efforts to improve overall performance.

In May, he pradicted that growth in earnings per share would reach 15 to 20 per cent over the next three years.

Operating profits fell to \$154m from \$185m in the second quarter, giving an operating profit margin of 7.3 per cent compared with 6.6 per cent last time. Earnings per share fell to 16 cents from 20 cents. For the first half, net income fell to \$111m from \$143m last time, before accounting changes.

Mr Jordan said employees had been reduced by 4 per cent – about 2,000 people – since the end of last December. "These costs will continue to come down significantly throughout 1994 and 1995," he said.

Among the better-performing divisions, broadcasting benefited from low costs and improved pricing, with revenues up by \$10m and operating profits by \$8m. Thermo King saw continned strength in North American truck and trailer markets, lifting revenues by \$37m and operating profits by \$3m.

Westinghouse Communities, the property development side, lifted revennes by \$25m to \$74m and operating profits by \$11m to \$24m.

Mr Jordan said: "We continue to study alternatives with respect to Communities in order to maximise its value. We will be able to reduce our debt by using the cashflow generated by this operation."

Eramet completes share placement

By Kenneth Gooding, Mining Correspondent

The first step in the partial privatisation of French group Eramet, the world's biggest producer of ferro-nickel and high-speed steels, has been completed with the placing of 15 per cent with European investors, at FFr250 a share. This values Eramet at FFr3.7bn (\$690.3m).

No new money was raised by Eramet, because the shares came from its three French shareholders: ERAP, the state holding company; Elf Aquitaine, the oil and gas gronp; and IMetal, the Paris-based industrial holding company.

Mr Rambaud said Eramet still wanted to offer at least another 10 per cent of its shares, and to obtain a listing on the Paris bourse before the end of this year.

Canal Plus, Bertelsmann in pay-TV joint venture

By Alice Rawsthorn in Paris and Judy Dempsey in Berlin

Canal Plus, the French television company, and Bertelsmann, the German publishing group, are to set up a joint venture aimed at tapping pay television services throughout Europe.

The companies, which will invest more than DM700m (\$446.9m) over the next three years, will also specialise in digital technology, and create a joint fund to buy programme and movie rights.

Canal Plus had a turnover of FFr8.7bn (\$1.62bn) last year, and Bertelsmann, one of Germany's largest private investors in television, had a turnover of DM17bn.

The decision by Canal Plus to join forces with Bertelsmann comes at a difficult time for the French company. It was rocked earlier this year by the sudden resignation of Mr André Rousselet, its founder and chairman, following a row with Havas, the French media gronp and one of its main shareholders.

Mr Rousselet resigned after discovering that Havas bad formed a coterie of Canal Plus shareholders to effectively control the company.

He claimed it was a covert attempt to prevent Canal Plus from operating as an independent entity.

This, he said, was because Canal Plus had been negotiating in the European multimedia field with foreign partners such as Bertelsmann, in preference to France Telecom, the state-controlled telecommunications group allied to Havas.

● Saint-Louis, the Frencb sugar, paper and food group, is negotiating the acquisition of an additional stake in Spanish sugar group General Azucarera, Reuter reports from Paris.

Azucarera has annual sales of FFr1.5bn and is 10 per cent owned by Saint Louis.

Saint Louis is understood to be seeking to acquire an additional 10 to 15 per cent of tbe Spanish group.

Mercedes-Benz plans shake-up of bus operations

By Christopher Parkes in Frankfurt

Helmut Werner: says structural clear-ont is needed

Mercedes-Benz is planning a sbake-up of its loss-making European bus operations, involving job cuts and the merger of its interests into an independent business unit.

The new operation brings together separate divisions in Mannheim and Turkey. Kässbohrer will also be included if, as expected, Mercedes wins a takeover bid for the struggling group. The new company is due to start operating on January 1 next year.

According to Mr Helmut Werner, chairman of the Daimler-Benz vehicles subsidiary, Mercedes will decide whether to make a bid for the Ulm-based Kässbohrer business next week. Although Sweden's Volvo is believed to have shown some belated interest in the group, best-known for the Setra marque, Mercedes has been studying the feasibility of a takeover since April.

There have been rumblings of resistance from Mercedes' commercial vehicles works in Mannheim. However, Mr Werner says the workers' council would not, ultimately, obstruct the move, which would improve the long-term health of a sector which had been losing money for years.

However, the cartel authorities could throw up obstacles to the deal, which would give Mercedes a further 22 per cent of the German bus market, where it already has a 35 per cent share.

According to Mr Werner, a structural clear-out was needed in an industry plagued by overcapacity. The market was so tight *that* not *all* suppliers could maintain production at economic levels.

At a closed meeting of the Mannheim workforce earlier this month, union officials were reported to have said provisional plans to switcb bus manufacturing and fitting-out operations between the Mercedes and Kässbohrer works could cost 2,000 of the 11,300 jobs in Mannheim.

Mercedes says a takeover would imply the loss of 400 bus-making jobs. Talks are already under way on reducing the Mannheim workforce by 1,400, regardless of the Kässbohrer project.

Recovery under way, says chairman

Mercedes-Benz expects to boost passenger car deliveries by 15 per cent this year, regain lost ground in the US, and post a "considerably improved" result, according to Mr Helmut Werner, company chairman, writes Christopher Parkes.

The Daimler-Benz automotive division, which lost a net DM1.2bn (\$766m) last year, delivered 302,300 cars in the first six months of this year – an increase of 37 per cent, he said. Production rose 44 per cent.

The company did not have the capacity to increase deliveries further, Mr Werner said. In any case, Mercedes was now planning capacity according to medium-term demand. It was not interested in costly attempts to match short-term trends.

Indicating progress in the gronp's restructuring and rationalisation programme, Mr Werner said Mercedes would make 586,000 cars this year with a workforce of 80,000. In 1991, a workforce of 100,000 built around 570,000 units.

Although progress would slow in the second half, the company now expected to deliver 585,000 cars during the year, compared with initial estimates of 570,000.

Figures for the first six months were distorted by extraordinarily low sales figures in the comparable part of 1993. These were blamed on recession and customer delay in purchasing until the introduction of the new C-Class compact Mercedes in mid-year.

The group was enjoying especial success in the US, where car sales had risen 28 per cent to 35,700 in the first half, and were expected to increase to 72,000 for the whole year. US volumes were now approaching those enjoyed in the "good years" of the 1980s, Mr Werner said. Meanwhile, both Mercedes and BMW had increased market share, while their Japanese competitors had lost ground, he said.

The commercial vehicles business was also improving, although the German market remained sluggish. Total truck sales rose 12.7 per cent in the first half, and deliveries of vans were up 18 per cent.

Overseas assembly and manufacturing subsidiaries were doing particularly well.

Conditions in the German vehicles market were underlined in official first-half statistics, released yesterday, showing total new car registrations up just 0.8 per cent on last year. Truck and van sales were down 2.5 per cent.

Commerzbank looks to expand in S Africa

Commerzbank is considering buying a bank in South Africa, with a view to expanding its activities in the country, Mr Martin Kohlhaussen, chief executive, said, Reuter reports from Frankfurt.

The bank is considering enlarging its financial involvement in South Africa by up to 50 per cent, he said.

With an exposure of more that DM1.6bn (\$1.02bn) in South Africa, Commerzbank was already more heavily involved than Germany's other big banks.

Its lending covers trade and sovereign loans, as well as project financing in the steel, aluminium and power sectors.

Mr Kohlhaussen said the bank planned to establish an "operating unit" in the country, possibly before the end of this year. It would do this by either buying a bank in which it would take over management, or by setting up a branch or subsidiary.

He said there were several small banks on the market which could be bought for between DM10m and DM20m.

COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Coffee down but frost fears remain

London coffee traders were yesterday ensuring that they would not catch a cold if there was another frost in Brazil over the weekend.

The selling that had driven the London Commodity Exchange's September robusta futures price down by more than $350 a tonne dried up in mid-week and yesterday's close of $3,640 was $170 off the low.

Traders had not changed their minds about the market, however; they still thought a retracement justified after the recent spectacular surge to 8-year highs. The main reason for the buying was determination not to have to repeat the undignified scramble for cover that followed this year's second damaging Brazilian frost two weeks ago.

No frost is predicted for this weekend, but traders were taking no chances. "If there's no frost then we could see $50 on the downside next week," on told the Reuters news agency. "But if there is frost it's going to shoot up $500."

Cocoa emerged from coffee's shadow at the LCE on Monday morning when the September futures position jumped more than £40 to a 6½-year high of £1,112 a tonne. The move above £1,000 attracted sellers, however, as did subsequent forays. Only on Thursday did the price close above that level and by yesterday's close it was back to £1,092, up £24 overall.

Monday's move had been triggered three days earlier when New York cocoa futures shot up in last minute trading. As with most commodity price surges of late, investment fund buying was mainly responsible.

The bulls were not dismayed at their failure to break decisively through the $1,000 barrier. "The fundamental picture is of continuing deficit with rising consumption, pointing to higher prices," one trader told Reuters. "The market remains buoyant and we're seeing a consolidation phase," explained another.

At the London Metal Exchange copper's leap on Wednesday to a two-year high failed to inspire the other base metals markets.

Once again it was to investment fund buying that the three months delivery position's $77.50 rise was attributed. Dealers suggested that the fund managers had tired of the palladium market, which they recently drove to a five-year high, and decided to turn their attention to another metal that would benefit from increased international economic activity.

The uptrend was not maintained, but the copper price did manage to consolidate above the psychologically significant $2,500 level. It closed yesterday at $2,514.50 a tonne, up $30.75 on the week but $42.50 off the high.

In contrast to last week, when it reached a 39-month high and flirted with overhead resistance at $1,550 a tonne for three months delivery, the aluminium market ended this week testing support above $1,500 a tonne.

The market seemed to take little comfort from a pledge by the leading producing countries to maintain the voluntary agreement that is seeking to cut world production by up to 2m tonnes for two years.

Delegates at a meeting in Canberra heard that Russia, while contributing to the output cuts, albeit at a slower rate than it had agreed, was still exporting as much as ever, and this can have done little to bolster sentiment.

News yesterday of another big cut in LME warehouse stocks was ignored as the aluminium price fell $22.50 to $1,510 a tonne, down $34.50 on the week.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	-19,350	to 2,549,150
Aluminium alloy	-380	to 27,740
Copper	-1,325	to 339,600
Lead	-400	to 356,600
Nickel	-252	to 132,516
Zinc	+1,350	to 1,211,575
Tin	-125	to 30,555

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1994 High	1994 Low
Gold per troy oz.	$384.70	-0.50	$390.50	$396.50	$369.50
Silver per troy oz	344.45p	+9.15	335.75p	384.50p	335.30p
Aluminium 99.7% (cash)	$1483.00	-48.5	$1206.5	$1529.50	$1107.50
Copper Grade A (cash)	$2507.00	+36.0	$1610.8	$2507.00	$1731.50
Lead (cash)	$576.00	-16	$390.50	$592.8	$426.0
Nickel (cash)	$6157.50	-217.5	$4855.0	$6490	$5210.0
Zinc SHG (cash)	$967.00	-19.0	$921.5	$1014	$900.5
Tin (cash)	$5235	-218	$4890.8	$5650.0	$4730.8
Cocoa Futures Sep	£1092	+24	£758	£1088	£859
Coffee Futures Sep	$3628	-200	$893	$3826	$1175
Sugar (LDP Raw)	$303.0	+5.7	$253.7	$309.4	$252.9
Barley Futures Nov	£104.50	+2.50	£104.30	£102.00	£92.65
Wheat Futures Nov	£105.80	+2.60	£187.85	£117.50	£97.80
Cotton Outlook A Index	81.50c	+0.80	58.75c	87.10c	62.45c
Wool (64s Super)	425p	+4	348p	428p	342p
Oil (Brent Blend)	$17.81x	+0.03	$16.85	$18.05	$13.18

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x Sep

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1482-4	1509-11
Previous	1505-6	1532-3
High/low	1490/1489	1527/1502
AM Official	1489-90	1514-15
Kerb close		1501-3
Open int.	263,623	
Total daily turnover	58,354	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1490-500	1515-17
Previous	1507-17	1530-35
High/low		1535/1515
AM Official	1490-1500	1515-20
Kerb close		1515-25
Open int.	2,575	
Total daily turnover	662	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	575.5-6.5	592-3
Previous	585-6	600-1
High/low		593/588
AM Official	575.5-6.0	591.5-2.8
Kerb close		595/596
Open int.	41,649	
Total daily turnover	4,322	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6155-60	6245-50
Previous	6290-300	6385-90
High/low		6350/6220
AM Official	6170-5	6270-75
Kerb close		6240-50
Open int.	57,011	
Total daily turnover	90,418	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5230-40	5305-15
Previous	5345-55	5420-30
High/low		5380/5300
AM Official	5265-70	5337-40
Kerb close		5300-05
Open int.	18,572	
Total daily turnover	2,709	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	966.5-7.5	991-2
Previous	976.5-7.5	1001-2
High/low		996/989
AM Official	966-7	990.5-91
Kerb close		990-90.5
Open int.	102,996	
Total daily turnover	24,490	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2506.5-7.5	2514-5
Previous	2531-2	2539-40
High/low	2512/2511	2527/2512
AM Official	2510-11	2518-18
Kerb close		2513-4
Open int.	228,608	
Total daily turnover	31,905	

■ LME AM Official £/$ rate: 1.5326
LME Closing £/$ rate: 1.5332

Spot:1.5310 3 mths:1.5295 6 mths:1.5291 9 mths:1.5281

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jul	113.95	-0.65	114.30	113.65	1,189	322
Aug	113.95	-0.70	114.00	114.00	850	303
Sep	114.40	-0.70	115.18	114.10	32,641	7,777
Oct	114.05	-0.65	-	-	424	18
Nov	113.65	-0.65	-	-	245	-
Dec	113.25	-0.60	113.80	112.90	10,300	217
Total					51,806	8,627

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	384.50-384.90	
Opening	384.30-384.70	
Morning fix	384.10	252.200
Afternoon fix	384.00	251.969
Day's High	384.80-385.00	
Day's Low	383.70-384.10	
Previous close	386.10-386.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.04	6 months	4.50
2 months	4.12	12 months	4.88
3 months	4.18		

Silver Fix	p/troy oz.	US cts equiv.
Spot	344.45	525.25
3 months	348.55	531.00
6 months	353.60	537.00
1 year	364.15	553.45

Gold Coins	$ price	£ equiv.
Krugerrand	390-393	252-255
Maple Leaf	395.10-397.55	-
New Sovereign	90-93	58-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jul	384.9	+0.8	-	-	3	3
Aug	385.0	+0.7	385.1	383.8	58,161	22,928
Sep	386.5	+0.7	-	-	-	-
Oct	388.1	+0.7	388.1	385.9	7,105	614
Dec	391.2	+0.8	391.3	390.1	40,951	6,213
Feb	394.6	+0.6	394.8	394.5	9,914	81
Total					153,834	30,572

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jul	416.9	+3.3	414.0	414.0	138	20
Oct	418.9	+3.3	418.4	415.0	21,056	2,137
Jan	422.3	+3.2	422.0	419.5	2,337	63
Apr	425.8	+3.2	425.0	425.0	1,791	-
Jul	429.0	+3.2	-	-	1	-
Oct	433.8	+3.2	-	-	1	-
Total					25,324	2,240

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Sep	148.15	+0.90	148.50	145.75	4,692	73
Dec	147.40	+0.90	148.00	146.50	942	3
Mar	146.90	+0.90	145.50	145.50	170	1
Total					5,804	77

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jul	525.7	+3.0	526.0	522.0	145	18
Aug	526.3	+2.8	-	-	-	-
Sep	528.0	+2.8	530.5	523.0	78,568	19,039
Dec	535.3	+2.8	537.5	531.0	24,450	1,203
Jan	536.9	+2.8	-	-	35	-
Mar	543.4	+2.8	545.0	539.0	6,633	8
Total					122,343	20,610

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	19.62	+0.23	19.62	19.30	111,345	48,997
Oct	19.24	+0.17	19.27	19.00	47,677	13,222
Nov	19.03	+0.17	19.06	18.88	32,972	5,282
Dec	18.90	+0.18	18.91	18.73	45,717	12,188
Jan	18.80	+0.14	18.80	18.71	23,974	2,695
Feb	18.65	+0.05	18.67	18.65	11,118	283

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Sep)

		+or-
Dubai	$16.54-6.58w	+0.165
Brent Blend (dated)	$17.60-7.62	+0.165
Brent Blend (Sep)	$17.80-7.82	+0.185
W.T.I. (1pm est)	$19.53-6.55w	+0.155

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$188-190	+2
Gas Oil	$152-153	
Heavy Fuel Oil	$98-100	
Naphtha	$167-171	+2
Jet fuel	$165-167	+0.5

Petroleum Argus Estimates

■ OTHER

Gold (per troy oz)♣	$384.70	-1.80
Silver (per troy oz)♣	526.50c	-7.00
Platinum (per troy oz.)	$411.50	-0.25
Palladium (per troy oz.)	$145.40	-0.25
Copper (US prod.)	119.0c	
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	13.59m	-0.38
Tin (New York)	246.50c	
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†©	120.51p	-0.92*
Sheep (live weight)†♠©	93.74p	-3.53*
Pigs (live weight)©	70.88p	-3.88*
Lon. day sugar (raw)	$303.8	+1.4
Lon. day sugar (wte)	$346.0	+3.0
Tate & Lyle export	£312.0	+6.0
Barley (Eng. feed)	£107.5t	+0.75
Maize (US No3 Yellow)	$143.5	
Wheat (US Dark North)	£180.0	
Rubber (Aug)♥	97.50p	+6.5
Rubber (Sep)♥	96.50p	+6.5
Rubber KL RSS No1 Aug	337.5m	+4.5
Coconut Oil (Phil)§	$580.0z	+5.0
Palm Oil (Malay.)§	$620.0q	+15
Copra (Phil)§	$405	
Soyabeans (US)	£176.0z	+3.0
Cotton Outlook 'A' Index	81.50c	-0.20
Wooltops (64s Super)	425p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct/Dec. q Aug. z Aug/Sep. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices. © Prices are for previous day.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	96.5200	+0.500	6.54	6.39	9.61
Belgium		7.250	04/04	85.8200	+0.120	7.87	7.81	7.96
Canada *		6.500	06/04	83.0000	-	8.16	8.65	8.41
Denmark		7.000	12/04	93.3000	-0.370	7.96	8.09	8.18
France	BTAN	8.000	05/98	104.6250	-0.130	6.58	6.90	7.03
	OAT	5.500	04/04	67.6400	-0.398	7.31	7.36	7.54
Germany Bund		6.750	05/04	99.3600	-0.560	6.84	6.78	7.06
Italy		8.500	01/04	88.0000	-0.500	10.54†	10.21	10.45
Japan	No 119	4.800	06/99	104.7050	-	3.67	3.63	3.64
		4.100	12/03	98.3960	-	4.34	4.33	4.26
Netherlands		5.750	01/04	92.2600	-0.380	6.86	6.80	7.12
Spain		8.000	05/04	85.7500	-0.050	10.37	10.32	10.64
UK Gilts		6.000	08/99	92-05	-8/32	7.82	7.83	8.33
		5.750	11/04	89-15	-7/32	8.25	8.16	8.54
		9.000	10/08	105-00	-10/32	8.39	8.32	8.66
US Treasury *		7.250	05/04	99-25	-9/32	7.28	7.23	7.20
		6.250	08/23	84-18	-7/32	7.57	7.54	7.51
ECU (French Govt)		6.000	04/04	88.0800	-0.530	7.76	7.87	7.89

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

Prime rate	7¼	One month	4.27
Broker loan rate	5½	Two month	4.30
Fed.funds	4¼	Three month	4.44
Fed.funds at intervention	-	Six month	4.91
		One year	5.49

ECONOMIC DIARY – FORWARD EVENTS

TOMORROW: A special conference of Sinn Fein, the IRA's political wing, will debate its long-awaited response to last December's Downing Street Ulster peace declaration. Parliamentary by-elections in the Ukraine in more than 1,000 constituencies which failed to elect members in April elections.

MONDAY: US existing home sales (June). European Union budget ministers meet in Brussels. Asian Regional Forum holds congress in Bangkok. Mr Fidel Ramos, president of Manila, makes state of the nation address to congress.

TUESDAY: Confederation of British Industry publishes industrial trends survey (July). US consumer confidence (July). RMT signalmen stage a 48-hour rail strike, starting at noon. House of Lords rises for summer recess. Thames Water, National Power and Norweb hold annual meetings.

WEDNESDAY: Bricks and cement production and deliveries (second quarter). Mortgage possession statistics (second quarter). Mortgage arrears and possessions (January-June). US durable goods (June). European Union economic and finance ministers meet in Brussels. Mr John Major, prime minister, gives European Policy Forum lecture on "The role and limits of the state" in London. English Tourist Board annual report. 300th anniversary of the Bank of England. Preliminary results from Reuters.

THURSDAY: Energy trends (May). Digest of UK energy statistics (1993). Major British banking groups' mortgage lending (June). New vehicle registrations (June). Mr Alberto Fujimori, president of Peru, gives state of the nation address. Interim figures from ICI.

FRIDAY: Economic trends (July). Monthly digest of statistics (July). US gross domestic product (second quarter-advance). Working party on Chinese accession to Gatt world trade body meets to discuss draft accession protocol.

CURRENCIES AND MONEY

MARKETS REPORT

Dollar rallies

The dollar continued its rally on foreign exchanges yesterday, assisted by an onslaught of verbal intervention from senior US administration officials, *writes Philip Gawith.*

Mr Alan Greenspan, the Fed chairman, again reiterated the virtues of a stronger dollar, following similar comments earlier from Mr Lloyd Bentsen, the US treasury secretary.

The markets took cheer from this shift in sentiment, and the dollar closed in London at DM1.5955 against the D-Mark, well above its Thursday close of DM1.576, but off the high for the day of DM1.6026.

Against the yen it finished at at Y98.72, down from the high for the day of Y99.14.

Dealers said some of the dollar's retreat could be attributed to market disappointment that Mr Greenspan had just repeated what he had said earlier in the week.

The stronger dollar pushed the D-Mark lower in Europe against most currencies. Against the lira it finished at L992.6 from L997.5 on Thursday.

Sterling also suffered at the hands of a stronger dollar, finishing at $1.528 from $1.5375. The pound received some assistance from the UK 2nd quarter GDP estimate of 0.9 per cent growth. This was higher than the market forecast of 0.8 per cent.

■ Pound in New York

Jul 22	— Latest —	— Prev. close —
£ spot	1.5320	1.5235
1 mth	1.5312	1.5228
3 mth	1.5305	1.5221
1 yr	1.5289	1.5185

■ In the absence of statistical releases, the market was left to ponder more supportive talk for the dollar. After overnight comments from Mr Lloyd Bentsen, the US treasury secretary, that he believed "very strongly" in a strong dollar, Mr Greenspan reiterated his view that a strong currency was in the national interest.

Mr Steve Hannah, head of research at IBJ International in London, said a "180 degree policy reversal" from the administration had now been witnessed. Until very recently, senior administration officials were explicit in their opposition to higher rates.

Now Mr Bentsen and his deputy Mr Larry Summers are fulsome about the need for a stronger dollar. But as Mr Hannah points out, this must mean that are prepared to accede to the Fed tightening policy further.

Earlier this week Mr Greenspan indicated that a stronger dollar may be necessary to reverse inflation expectations, and that he would be prepared to raise rates further to achieve this.

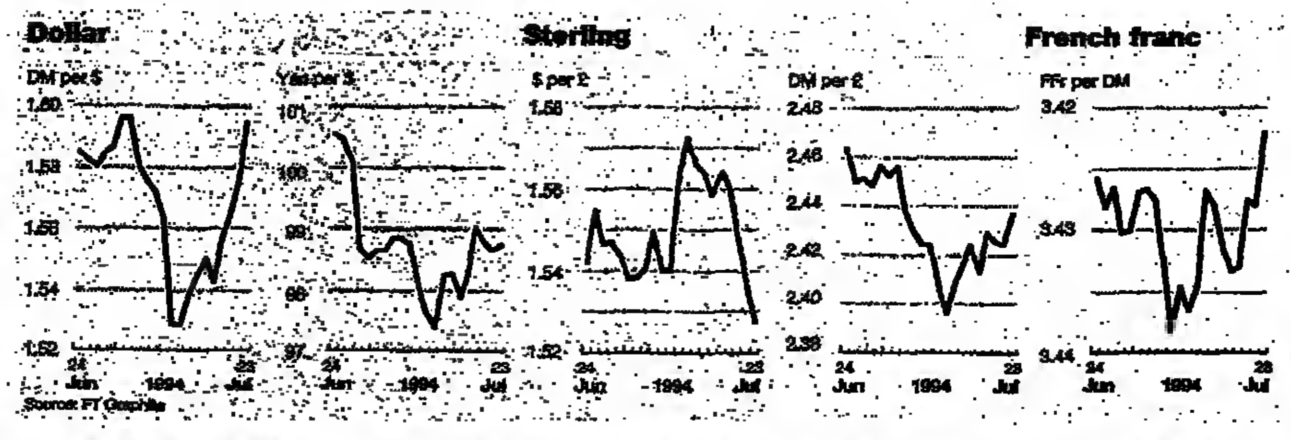
Mr Hannah commented: "They have given the green light to Mr Greenspan - if you want to raise rates we will not stand in your way."

Analysts remain more bullish about the dollar's prospects against the D-Mark than against the yen. Japan's large current account surplus and US/Japan trade frictions are seen as underpinning the yen.

■ German call money rose to 4.85/90 per cent from 4.75/4.85 per cent after the Bundesbank's decision to set the next four repo tenders at 4.85 per cent, compared to the current repo rate of 4.88 per cent.

The Bank of England provided UK money markets with £1.269bn assistance after forecasting a shortage of £1.25bn. Overnight money traded between 3½ and 5½ per cent.

Volumes in the futures market were low with the December eurosterling contract trading only 11,670 lots to close unchanged at 93.91. The December euromark contract traded 44,527 lots to finish at 95.01 from 95.09.



Source: FT Graphite

■ OTHER CURRENCIES

Jul 22	£	$
Hungary	158.314 - 158.518	102.320 - 102.420
Iran	2731.00 - 2733.00	1748.00 - 1750.00
Kuwait	0.4537 - 0.4546	0.2970 - 0.2975
Poland	34703.3 - 34786.5	22720.0 - 22750.0
Russia	3082.67 - 3107.95	2024.00 - 2034.00
U.A.E.	5.6187 - 5.6301	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jul 22		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. index
Europe													
Austria	(Sch)	17.1795	+0.1171	729 - 861	17.2059	16.8880	17.1752	0.3	17.1633	0.4	-	-	114.4
Belgium	(BFr)	50.1779	+0.326	391 - 167	50.5460	49.9130	50.1729	0.1	50.2179	-0.8	50.2179	-0.1	110.1
Denmark	(DKr)	9.5634	+0.0466	603 - 665	9.6290	9.5069	9.5704	-0.9	9.5865	-0.9	9.6304	-0.7	110.7
Finland	(FM)	8.0569	+0.0274	489 - 648	8.1190	8.0210	-	-	-	-	-	-	82.1
France	(FFr)	8.3403	+0.0339	382 - 424	8.3885	8.2856	8.3437	-0.5	8.3461	-0.4	8.3306	0.1	109.5
Germany	(DM)	2.4379	+0.0148	367 - 390	2.4575	2.4224	2.4375	0.2	2.4386	0.2	2.4158	0.9	125.2
[illegible]													

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	11.2435	+0.146	410 - 460	11.2600	11.1730	11.2462	-0.3	11.2398	0.1	11.1616	0.7	104.2
Belgium	(BFr)	32.8450	+0.421	300 - 600	32.9490	32.7000	32.865	-0.7	32.9025	-0.7	32.965	-0.4	105.7
Denmark	(DKr)	6.2590	+0.0692	580 - 600	6.2759	6.2280	6.265	-1.2	6.276	-1.1	6.313	-0.9	105.5
Finland	(FM)	5.2723	+0.0505	678 - 773	5.2921	5.2530	5.2763	-0.7	5.2778	-0.4	5.3166	-0.8	77.0
France	(FFr)	5.4585	+0.056	580 - 590	5.4727	5.4320	5.4632	-1.0	5.4692	-0.8	5.447	0.2	106.0
Germany	(DM)	1.5955	+0.0195	950 - 960	1.6026	1.5875	1.5962	-0.5	1.5962	-0.2	1.5862	0.6	108.7
[illegible]													

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ϕ Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £125½ 125¾ (20Jy94)
Exchequer 10½% Stk 2005 - £114⅜ 115⅟₁₆ (20Jy94)

Corporation and County Stocks

Birmingham Corp 3% Stk 1947(or after) - £30 (19Jy94)
Birmingham Corp 3% (1902) 1932(or after) - £33 (18Jy94)
Bristol(City of) 11½% Red Stk 2008 - £119¼ (19Jy94)
Bristol Corp Deb Stk (3½%) - £37¾
Dudley Metropolitan Borough Council7% Ln Stk 2018 (Reg Int Certs)(P/P) - £82¼ (19Jy94)
Islington Corp 11.8% Red Stk 2017 - £122¼
Manchester Corp 1891 3% Red Stk 1941(or after) - £31 (20Jy94)
Oldham Met Borough Council 11.25% Red Stk 2010 - £118 (15Jy94)

UK Public Boards

Agricultural Mortgage Corp PLC 5½% Deb Stk 93/95 - £96¾ (20Jy94)
Clydeport Ld 4% Irrd Stk - £42 (15Jy94)
Metropolitan Water Metropolitan Water 3% A Stk 63/2003 - £69¼ (15Jy94)

Commonwealth-Government

South Australian 3% Cons Ins Stk 1916(or after) - £31 (18Jy94)

Foreign Stocks, Bonds, etc-(coupons payable in London)

Abbey National Sterling Capital PLC8¾% Subord Gtd Bds 2004(Br£Vars) - £96½ϕ .6ϕ
Abbey National Sterling Capital PLC10¼% Subord Gtd Bds 2023 (Br £ Var) - £104⅜
Abbey National Treasury Servs PLC 6½% Gtd Bds 2003 (Br & Var) - $91.7
Abbey National Treasury Servs PLC 7⅛% Gtd Nts 1998 (Br £ Var) - £98⅛ ½ ⅝ ¼
Abbey National Treasury Servs PLC 8% Gtd Bds 2003 (Br £ Var) - £93¾ 4¼
Acer Incorporated 4% Bds 2001(Br$10000) - $243½ 244
Agricultural Mortgage Corp PLC 11½% Nts 1994 (Br£1000,10000&100000) - £100½ .609583 (15Jy94)
Anglian Water PLC 12% Bds 2014 (Br £10000&100000) - £125⅛
Asda Finance Ld 10¾% Cnv Cap Bds2005(Br £5000&100000) - £108½ (20Jy94)
BOC Group PLC 8¾% Bds 2004(Br£ Vars) - £85⅜ (20Jy94)
Barclays Bank PLC 6.5% Nts 2004(Br£Various) - £84½ (18Jy94)
Barclays Bank PLC 12¾% Senior Subord Bds 1997(Br£Var) - £112¾ (15Jy94)
Barings PLC 9¼% Perp Subord Nts (Br£Various) - £86 7.075 (18Jy94)
Bradford & Bingley Building SocietyCollared FltgRteNts 2003(Reg Mult£1000) - £92¾ (20Jy94)
Bradford & Bingley Building SocietyCollared Fltg Rte Nts 2003 (Br £ Var) - £93⅛
Bristol & West Building Society 10⅞% Subord Bds 2000(Br£10000&100000) - £101¾ϕ
Britannia Building Society 10½% Bds 2000 (Br £10000&100000) - £107⅟₁₆ (20Jy94)
British Airways PLC 8½% Nts 1997(Br£1000&10000) - £103⅝
British Gas Intl Finance BV 8⅞% GtdNts 1999(Br$1000,10000&100000) - $104½ 105½
British Gas PLC 7⅝% Nts 1997 (Br £ Var) - £100⅜ (19Jy94)
British Gas PLC 10⅞% Bds 2001(Br £1000,10000&100000) - £109
British Gas PLC 8⅛% Bds 2003 (Br £ Var) - £96¼ (15Jy94)
British Land Co PLC 8.875% Bds 2023 (Br £ Var) - £92 (19Jy94)
British Telecommunications PLC Zero Cpn Bds 2000(Br£1000&10000) - £62¾ (18Jy94)
British Telecommunications PLC 7⅛% Bds 2003 (Br £ Var) - £91.875 (19Jy94)
Burmah Castrol Capital(Jersey) Ld 9½% Cnv Cap Bds 2006 (Reg £1000) - £148½ 8
Burmah Castrol Capital(Jersey) Ld 9½% Cnv Cap Bds 2006(Br£5000&50000) - £147½ (20Jy94)
CRH Capital Ld 5¾% Cnv Cap Bds 2005(Br$5000) - $118¾ (20Jy94)
Cable & Wireless Int Finance BV 10⅜% Gtd Bds 2002 (Br £10000&100000) - £108¼ϕ
Commercial Union PLC 10¾% Gtd Bds 2002 (Br £ Var) - £107½
Daily Mail & General Trust PLC 8¾% Exch Bds 2005 (Br£1000&5000) - £157
Denmark(Kingdom of) 6¾% Nts 1998 (Br £ Var) - £95¼ ⅟₁₆
Depfa Finance N.V. 7⅛% Gtd Bds 2003 (Br £ Var) - £87¾
ECC Group PLC 6½% Cnv Bds 2003(Br£1000&10000) - £100 (15Jy94)
Eastern Electricity PLC 8⅜% Bds 2004(Br£ Vars) - £96
Electricite de France 10½% Gtd Bds 2009 (Br£10000&100000) - £111 3¼ (19Jy94)
Elf Enterprise Finance PLC 8¾% Gtd Exch Bds 2006 (Reg £5000) - £98¾ (19Jy94)
Elf Enterprise Finance PLC 8¾% Gtd Exch Bds 2006(Br£5000&100000) - £98.675ϕ ⅞ϕ 9¼ϕ
Export-Import Bank of Japan 9½% Gtd Bds 2000(Br$5000) - $110.21 (19Jy94)
Finland(Republic of) 10⅛% Bds 2006(Br£1000&10000) - £108½ ¾ (19Jy94)
Finland(Republic of) 10⅞% Bds 1998 - £108⅜
Forte PLC 10¾% Bds 1996 (Br£1000&5000) - £104¼ (18Jy94)
Forte PLC 9⅜% Bds 2003 (Br £ Var) - £98⅛ ⅜ (15Jy94)
GESB PLC 8.35% Gtd Sec Bds 2018 (Br£1000) - £93¼ ½
Guinness PLC 7⅞% Nts 1997 (Br £ Var) - £98¾
Guinness PLC 10⅝% Nts 1997 (Br £1000 & 10000) - £108¼ (20Jy94)
Guinness Finance BV 12% Gtd Nts 1998(Br£1000&10000) - £106⅝
HSBC Holdings PLC 8⅞% Subord Bds 2018 (Br £ Var) - £101¼ϕ ¼ϕ
Halifax Building Society 8½% Bds 2004 (Br£1000,10000,100000) - £84¼
Halifax Building Society 7¼% Nts 1998 (Br £ Var) - £90¼
Halifax Building Society 11% Subord Bds 2014(Br£10000&100000) - £113½ 4⅟₁₆ (19Jy94)
Halifax Building Society Collared Fltg Rte Nts 2003 (Br £ Var) - £95
Hanson PLC 8½% Cnv Subord 2006 (Br £Var) - £111ϕ
Hanson PLC 10⅜% Bds 1997 (Br £Var) - £105⅞
Hanson Trust PLC 10% Bds 2006 (Br£5000) - £104 (19Jy94)
Hickson Capital Ld 7% Cnv Cap Bds 2004 (Reg) - 129½ (18Jy94)
Hickson Capital Ld 7% Cnv Cap Bds 2004 (Br£1000&10000) - £130 (15Jy94)
Hydro-Quebec 6.50% Debs Sers IK 1998(Reg £ Vars) - £93ϕ
Imperial Chemical Industries PLC 9¾% Bds 2005(Br£1000&10000) - £104¼ (18Jy94)
Imperial Chemical Industries PLC 10% Bds 2003(Br£1000&10000) - £104⅝
Imperial Chemical Industries PLC 11¼% Bds 1995(Br£5000) - £101 (19Jy94)
International Bank for Rec & Dev 9¼% Bds 2007 (Br£5000) - £104¼ ½ (19Jy94)
International Bank for Rec & Dev 10⅞% Nts 1994(Br£1000&10000) - £100¼ (19Jy94)
International Bank for Rec & Dev 11¼% Nts 1995(Br£1000) - £100¼ (18Jy94)
Italy(Republic of) 10½% Bds 2014 (Br£10000&50000) - £111⅟₁₆ (19Jy94)
Japan Development Bank 8⅞% Gtd Bds 1999 (Br & Var) - $98.9 (15Jy94)
Japan Development Bank 7% Gtd Bds 2000 (Br £ Var) - £94⅟₁₆ (20Jy94)
Kansai Electric Power Co Inc 7¼% Nts 1998 (Br £ Var) - £97¼
Kyushu Electric Power Co Inc 8% Nts 1997 (Br £ Var) - £100¼ ½
Ladbroke Group Finance(Jersey)Ld 9% Cnv Cap Bds 2005 (Br£5000&100000) - £97 (18Jy94)
Land Securities PLC 9⅜% Cnv Bds 2004 (Br£5000&50000) - £111¾ 2 (15Jy94)
Leeds Permanent Building Society 7½% Nts 1997(Br£Var) - £98¼ (18Jy94)
Leeds Permanent Building Society 11½% Nts 1996 (Br £5000&100000) - £106⅞ (20Jy94)
Leeds Permanent Building Society Collared Fltg Rte Nts 2003 (Br £ Var) - £94 (19Jy94)
Lloyds Bank PLC 7⅝% Subord Bds 2004(Br£Various) - £88¼ϕ
Lloyds Bank PLC 9½% Subord Bds 2009(Br£ Vars) - £96⅞ (18Jy94)
Lloyds Bank PLC 10¼% Subord Bds 1998(Br£10000) - £105⅜ (15Jy94)
Lloyds Bank PLC Subord Fltg Rte Nts(Br£ Vars) - £100.15 (19Jy94)
London Electricity PLC 8% Bds 2003 (Br £ Var) - £85½ (19Jy94)
Lonrho Finance PLC 6% Gtd Cnv Bds 2004(Br£Vars) - £87 (15Jy94)
McDonald's Corporation Zero Cpn Ntss 4/6/98 (Br £ Var) - £87⅞ (19Jy94)
Marks & Spencer Finance PLC 7⅞% Gtd Nts 1998 (Br £ Var) - £97⅞ϕ
Municipality Finance Ld 8½% Gtd Nts 1997 (Br £Var) - £104⅟₁₆ (20Jy94)
National Grid Co PLC 7⅜% Bds 1998 (Br £ Var) - £98.3 (20Jy94)
National Westminster Bank PLC 11¼% Und-SubNts £1000(Cnv to Prf)Reg - £107⅛ 9½
Nationwide Building Society 13.5% Subord Nts 2000 (Br £10000) - £119½ (20Jy94)
Nippon Telegraph and Telephone Corp5⅞% Nts 1998 (BrY1000000) - Y105.35 105.7 (20Jy94)
Nippon Telegraph and Telephone Corp9½% Nts 1997 (Br $C1000&10000) - $C100.5 100⅝ (15Jy94)
Northern Rock Building Society 10⅛% Subord Bds 2018 (Br £ Var) - £103¼ ½ (20Jy94)
Osaka Gas Co Ld 8.125% Bds 2003 (Br £ Var) - £94.975 (20Jy94)
Pacific Electric Wire&Cable Co Ld 3¾% Bds 2001(Br$10000) - $118
Pearson PLC 10½% Bds 2008(Br£1000&10000) - £108⅟₁₆ (20Jy94)
Pearson Sterling Finance PLC 10¼% Gtd Bds 2002 - £107½ϕ
PowerGen PLC 8⅞% Bds 2003 (Br £10000&100000) - £99⅛ϕ
Redland Capital PLC 7¼% Cnv Bds 2002(Br£1000&10000) - £104 (20Jy94)
Robert Fleming Intl Finance Ld 8¾% Perp Subord Gtd Nts (Br £ Var) - £86⅛
Royal Bank of Scotland PLC 6⅝% Bds 2004(Br£Vars) - £84⅜ ⅜ (18Jy94)
Royal Bank of Scotland PLC 9½% Undated Subord Bds (Br £ Var) - £95¼ (19Jy94)
Royal Bank of Scotland PLC 9⅝% Subord Bds 2015(Br£10000&100000) - £99⅜ (18Jy94)
Royal Insurance Hldgs PLC 9⅝% Subord Bds 2003 (Br £ Var) - £98⅞ 9¼
Sincere Navigation Corporation 3.75% Bds 2005 (Br $10000&100000) - $108 108½ 194 197 (18Jy94)
Smithkline Beecham Capital PLC 8⅛% Gtd Nts 1998 (Br £ Var) - £99¼ ¼ (20Jy94)
Sweden(Kingdom of) 8¾% Bds 1996(Br$5000) - £102¼ (19Jy94)
Tarmac Finance (Jersey) Ld 9½% Cnv Cap Bds 2006 (Reg £1000) - £104½
Tarmac Finance (Jersey) Ld 9½% Cnv Cap Bds 2006(Br £5000&50000) - £101½ (18Jy94)
Tate & Lyle Int Finance PLC 8% Gtd Bds 1999(Br£10000&100000) - £98⅞ϕ
Tate & Lyle Int Fin PLC 5¾% Gtd Bds 2001 (Br £5000) - £85 (19Jy94)
Tate&Lyle IntFin PLC/Tate&Lyle PLC 5¾% T&LItFnGdBds 2001(Br) W/WtsT&LPLC - £84 (15Jy94)
Tesco PLC 8¾% Bds 2003(Br£Vars)(FyPd) - £98¼ (15Jy94)
Tesco Capital Ld 9% Cnv Cap Bds 2005(Reg £1) - £114½ ¾ 8
Tesco Capital Ld 9% Cnv Cap Bds 2005(Br£5000&10000) - £113¾ (15Jy94)
Thames Water PLC 9½% CnvSubordBds 2006(Br£5000&50000) - £120½ (20Jy94)
Thames Water Utilities Finance PLC 10½% Gtd Bds 2001 - £107½
3i International BV 7¾% Gtd Bds 2003 (Br £ Var) - £92 (15Jy94)
Tokyo Electric Power Co Inc 7⅛% Nts 1998 (Br £ Var) - £97⅛
Treasury Corporation of Victoria 8¾% Gtd Bds 2003 (Br £ Var) - £98⅟₁₆ (18Jy94)
Turkey(Republic of) 9% Bds 2003 (Br £ Var) - £73¼ (20Jy94)
U-Ming Marine Transport Corporation1½% Bds 2001(Reg in Mult $1000) - $106 (20Jy94)
Unilever NV 7.25% Bds 2004(Br$ Vars) - $97¼ 97⅝
Unilever PLC 7⅜% Nts 1998 (Br £ Var) - £97⅞
United Kingdom 7¼% Bds 2002(Br$Var) - $98½ (15Jy94)
Victorian Pblc Athrs Fin Agency 9⅞% Gtd Bds 1999(Br£Vars) - £104⅟₁₆
Warburg(S.G.) Group PLC 9% Perp Subord Nts (RepNts Br£) - £87⅞ (19Jy94)
Woolwich Building Society 11% Nts 1998(Br£1000&10000) - £107½ (20Jy94)
Woolwich Building Society 11¼% Subord Nts 2001 - £110¾ (18Jy94)
Deutsche Bank AG L20000m Fltg Rte Nts 2/2/95 - $57.015 (15Jy94)
Queensland Treasury Corp $A30m 5% Nts 15/12/96 - $A93.252ϕ
SBAB $C10m Fltg Rte Nts 22/12/95 - £97 (15Jy94)
State Bank of New South Wales Ld 9% Bds 2002 (Br $A Var) - $A98⅜ 98⅞ (19Jy94)
Sweden(Kingdom of) £800m 7½% Nts 3/12/97 - £98⅞
Sweden(Kingdom of) £250m 7% Instruments 23/12/98 - £95⅞ 6½ 7 (15Jy94)
Sweden(Kingdom of) £350m 7⅞% Bds 28/7/2000 - £95⅞ (20Jy94)

Sterling Issues by Overseas Borrowers

Asian Development Bank 10¾% Ln Stk 2009(Reg) - £112⅛ (19Jy94)
Bank of Greece 10¾% Ln Stk 2010(Reg) - £99¼ (18Jy94)
European Investment Bank 9% Ln Stk 2001 (Reg) - £102¼ ⅞ 5 (20Jy94)
European Investment Bank 8½% Ln Stk 2009 - £107⅟₁₆ ⅜
European Investment Bank 10⅜% Ln Stk 2004(Reg) - £111.825 ⅞ (15Jy94)
European Investment Bank 10⅜% Ln Stk 2004(Br £5000) - £111½
European Investment Bank 11% Ln Stk 2002(Reg) - £112⅞ .925
Iceland(Republic of) 14¼% Ln Stk 2016 - £145 (20Jy94)
International Bank for Rec & Cnv 9½% Ln Stk 2010(Reg) - £106 (20Jy94)
International Bank for Rec & Cnv 11.5% Ln Stk 2006 - £117½
New Zealand 11¼% Stk 2008(Reg) - £118⅛ (15Jy94)
Portugal(Rep of) 9% Ln Stk 2016(Reg) - £100¾
Portugal(Rep of) 9% Ln Stk 2016(Br) - £100½ (20Jy94)
Province de Quebec 12¼% Ln Stk 2020 - £129⅞ (19Jy94)

Listed Companies(excluding Investment Trusts)

AAH PLC 4.2% Cum Prf £1 - 59 (18Jy94)
ASH Capital Finance(Jersey)Ld 8½% Cnv Cap Bds 2006 (Reg Units 100p) - £82 (20Jy94)
AXA Equity & Law Int Funds Ld Ptg Red Prf 1p(Sterling Deposit Shs) - $71.765 (15Jy94)
Aberdeen Trust PLC A Wts to Sub for Ord - 52 (18Jy94)
Aetna Malaysian Growth Fund(Cayman)Ld Ord $0.01 - $11¼ (19Jy94)
Albert Fisher Group PLC ADR (10:1) - $8.05 (19Jy94)
Alexanders Hldgs PLC "A"(RstV)Ord 10p - 21 (20Jy94)
Alexon Group PLC 6.25p (Net) Cnv Cum Red Prf 10p - 50 2

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

The FT-SE Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-SE Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

...

TSB Gilt Fund Ld Ptg Red Prf 1p(Class "A" Ptg Red Prf) - 102.21 (20Jy94)
TSB Group PLC 10⅝% Subord Ln Stk 2008 - £109¾
TSB Offshore Inv Fund Ld Ptg Red Prf 1p(European Class) - 193.34 (15Jy94)

Gartmore British Inc & Grth Trst PLC Zero Dividend Prf 10p - 109½ϕ
Gartmore Shared Equity Trust PLC Geared Ord Inc 10p - 101 1 3 ½
Gartmore Value Investments PLC 12.34% Deb Stk 1995 - £101¼ (18Jy94)

Greenstar Hotels PLC Ord 10p - £0.2 (20Jy94)
Guernsey Gas Light Co Ld Ord 10p - £0.76 0.77 (15Jy94)
Gulton Group Ld Ord 10p - £1.46

Oil Search 46(20.7)
Storer Communications $K372.0(15.7)
Walhalla Mining Co A$0.151(18.7)

By Permission of the Stock Exchange Council

LONDON STOCK EXCHANGE

MARKET REPORT

Dollar firmness pushes Footsie above 3,100

By Terry Byland, UK Stock Market Editor

The UK stock market was never in any doubt where it was going yesterday as continued strength in the US dollar provided the upward impetus for markets across Europe. The 3,100 mark on the FT-SE Index was brushed aside as soon as trading commenced and only a weak opening to the new session on Wall Street caused London to close below the best of the day.

At the close, the FT-SE Index was 19.6 up at 3,114.7. Comments from Mr Alan Greenspan, chairman of the Federal Reserve, reaching London just at the close, buttressed optimistic views of the outlook for the US dollar stocks. There was no great response, however, to the estimates for second quarter gross domestic product figures.

The FT-SE 250 Index gained a further 30 points to a closing level of 3,630.9, indicating that overseas demand for UK equities is spreading across the full range of the market. Trading volume was high although slightly below that of the previous session. Business in non-Footsie stocks increased to around 57 per cent of the market total as investors looked for stocks likely to benefit from a continued recovery in the UK economy.

The stock market was helped throughout by firmness in stock index futures, where the September contract on the FT-SE 100 Index was still showing a comfortable premium against the cash market at the close.

Over the week, the Footsie has gained around 1.3 per cent, with most of the gain coming in the past two trading sessions as the US dollar has risen vigorously in response to favourable comments from Mr Lawrence Summers, US Treasury Under Secretary, and from Mr Alan Greenspan.

Most UK market analysts are now optimistic on the London stock market on the basis of predicted growth in corporate earnings and dividends. A veiled warning on interest rates, incorporated in the minutes of the June meeting between the Governor of the Bank of England and the chancellor of the exchequer, has done little to check near term optimism.

Seaq volume of 612.4m shares yesterday compared with 607.6m on Thursday when retail, or customer, business of £1.26bn confirmed that business in equities remains healthily profitable from the point of view of the London-based securities industry.

The overall advance by dollar-orientated stocks was boosted by recovery in several issues hardly handled in the previous session. Wellcome rebounded smartly from the weakness which at first greeted the results on Thursday. With analysts taking a generally positive view on prospects for sale of Wellcome's anti-shingles and herpes treatment, the shares regained all and more of the setback.

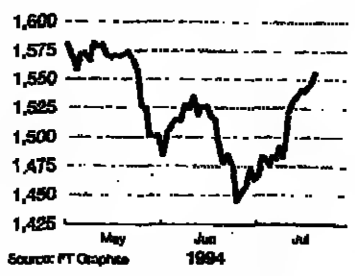
Stocks with home improvement interests recovered as fears of US competition faded. Boots, Kingfisher and Ladbroke among the Footsie stocks all made firm progress.

There was also a good showing among building materials groups on broker recommendations and also among banks stocks ahead of the results season next week. ICI was another to benefit from expectation of healthy results. With the dollar's firmness rebuilding confidence on the near term outlook for interest rates, stores and retail issues were also in better form.

Market strategists doubted whether longer term considerations on UK interest rates would hold the sector back if investors perceived that economic recovery in the UK would remain strong.

A powerful boost to the stock market and to the Footsie Index came from strong demand for the oil shares, and in particular for Shell Transport which continued to anticipate news on the planned sale of its South African metals businesses.

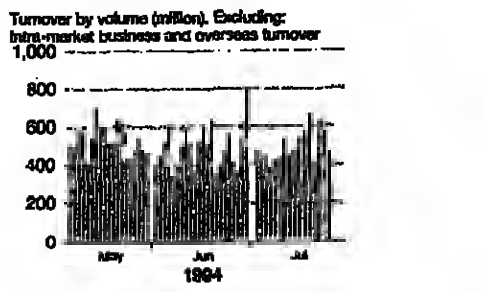
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios		
FT-SE Mid 250	3630.8	+30.0
FT-SE-A 350	1569.2	+10.6
FT-SE-A All-Share	1555.53	+10.23
FT-SE-A All-Share yield	3.81	(3.84)
FT Ordinary index	2423.0	+20.5
FT-SE-A Non Fins p/e	18.62	(18.51)
FT-SE 100 Fut Sep	3127.0	+13.0
10 yr Gilt yield	8.38	(8.35)
Long gilt/equity yld ratio:	2.24	(2.21)

FT-SE 100 Index	
Closing index for Jul 22	3114.7
Change over week	+39.9
Jul 21	3095.1
Jul 20	3077.2
Jul 18	3091.3
Jul 18	3082.0
High*	3123.2
Low*	3060.5

*Intra-day high and low for week

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
ASDA Group†	16,000	57		Lonrho	2,400	128	
Abbey National†	1,600	408	+9	Lucas	1,400	196	+7
Albert Fisher	288	45		MEPC†	781	476	+6
Allied-Lyons†	882	581	-5	MFI	1,800	149	-1
Anglian Water	907	511	+4	Manweb	183	715	+2
Argos	410	351	+3½	Marks & Spencer†	2,700	429	+4
Argyll Group†	11,000	268	+2	Midlands Elect.	832	658	+15
Arjo Wiggins†	2,300	300		Morrison (Wm.)	230	127	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EQUITY FUTURES AND OPTIONS TRADING

Derivatives markets led the UK stock market ahead yesterday as firmness in the US dollar strengthened confidence across markets in Europe, *writes Terry Byland*. Trading volume in the September contract on the FT-SE 100 Index was moderate, with a final total of 12,237 including deals conducted after official hours. The contract remained at a good premium to cash throughout, closing at 3,127, a premium of about 13 points. On Monday, the fair value premium, calculated solely in terms of ex-dividend changes, comes down to around 9 points.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3127.0	3127.0	+13.0	3141.0	3106.0	12237	01067
Dec	3132.0	3137.0	+13.6	3132.0	3132.0	5	1917

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £16 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3630.0	30.0	-	-	6	4425

■ FT-SE MID 250 INDEX FUTURES (OMLX) £16 per full index point

Sep	3,640.0		-

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3114) £16 per full index point

	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P
Aug	180½	10	137½	17½	98½	29	66½	48½	40½	72½	22	104½	10½	142½	4½	186
Sep	204	25	163	34½	128	47½	94	67	66	90½	45½	120½	29½	156	17½	159½
Oct	219	39½	182½	52½	148	69	119½	90	92	114	72	143½	52	175½	39	212½
Nov	238½	51½	200½	65½	168	83½	139½	104½	111½	128½	91½	157½	70½	187	55	222½
Dec†			214	75½			154½	115			106	168			67½	31½

Calls 6,314 Puts 5,070

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £16 per full index point

	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P
Aug	201½	7½	155½	13	116	23½	81½	36½	50½	56½	29½	85½	15½	122½	8½	163½
Sep	221	20½	180	29½	143	42	109	57½	80	78	58½	104	38	135	28½	170½
Oct	233½	34½			183½	62½			107	105½			65½	162		
Dec	263	55½			194½	84½			137½	126			93	179		
Mar†	298	77½			233	109½			177½	150½			132	201½		

Calls 2,842 Puts 2,175 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3500	3550	3600	3650	3700	3750	3800	3850
Jul			106 52	81 79	59 106			

Calls 6 Puts 6 Settlement prices and volumes are taken at 4.30pm.

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 31 1993 based on Friday July 22 1994

Engineering, Vehicles	+12.97	FT-SE Mid 250	-4.23	Life Assurance	-9.04
Oil Exploration & Prod	+12.52	Services	-5.22	Food Manufacturers	-9.98
Printing, Paper & Pckg	+10.82	Support Services	-5.52	Consumer Goods	-11.26
Oil, Integrated	+7.58	Non-Financials	-6.58	Property	-11.28
Mineral Extraction	+7.12	Health Care	-6.86	Retailers, General	-11.48
Engineering	+6.87	Distributors	-7.49	Pharmaceuticals	-11.48
Chemicals	+6.10	FT-SE-A All-Share	-7.53	FT Gold Mines Index	-12.42
Extractive Industries	+4.81	Textiles & Apparel	-7.54	Utilities	-13.36
Leisure & Hotels	+3.21	Transport	-7.63	Water	-14.42
Gen Manufacturers	+0.14	FT-SE-A 350	-7.86	Telecommunications	-15.12
Diversified Industrials	-0.28	Investment Trusts	-7.88	Household Goods	-16.19
Retailers, Food	-0.92	Electronic & Elec Eqpmt	-8.12	Merchant Banks	-16.53
Media	-1.10	Electricity	-8.12	Financials	-16.55
FT-SE SmallCap ex IT	-1.49	Building Materials	-8.26	Gas Distribution	-17.73
Breweries	-1.75	FT-SE 100	-8.88	Insurance	-17.78
FT-SE SmallCap	-2.50	Building & Construction	-9.04	Banks	-19.72
FT-SE Mid 250 ex IT	-3.78	Spirits, Wines & Ciders	-9.39	Tobacco	-23.31

FT - SE Actuaries Share Indices — The UK Series

	Jul 22	Day's chge%	Jul 21	Jul 20	Jul 19	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return	1994 High		1994 Low		Since Compilation High		Since Compilation Low	
FT-SE 100	3114.7	[illegible]	3095.1	3077.2	3091.3	[illegible]	4.01	6.76	17.49	70.03	1169.39	3520.3	2/2	2876.6	24/6	3520.3	2/2/94	986.9	23/7/84
FT-SE Mid 250	3630.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.40	5.70	21.10	80.37	1345.09	4152.8	3/2	3383.4	27/6	4152.8	3/2/94	1379.4	21/1/86
FT-SE Mid 250 ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.55	6.17	19.65	83.80	1343.29	4180.7	19/1	3382.4	27/6	4180.7	19/1/94	1378.3	21/1/86
FT-SE-A 350	1569.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.87	6.52	18.21	35.17	1203.22	1778.3	2/2	1451.5	24/6	1778.3	2/2/94	664.5	14/1/86
FT-SE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.09	4.29	30.49	31.64	1403.79	2094.98	4/2	1776.51	6/7	2094.98	4/2/94	1363.79	31/12/92
FT-SE SmallCap ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.26	4.74	28.15	32.73	1383.43	2060.72	4/2	1752.68	12/7	2060.72	4/2/94	1363.79	31/12/92
FT-SE-A ALL-SHARE	1555.53	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.81	6.36	18.75	34.34	1213.36	1764.11	2/2	1445.85	24/6	1764.11	2/2/94	61.92	13/12/74

■ FT-SE Actuaries All-Share

	Jul 22	Day's chge%	Jul 21	Jul 20	Jul 19	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return	1994 High		1994 Low		Since Compilation High		Since Compilation Low	

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High/day	Low/day
FT-SE 100	3115.6	3105.8	3111.3	3122.1	3119.5	3121.7	3121.7	3119.7	3114.7	3123.2	3105.3
FT-SE Mid 250	3612.4	3610.5	3614.0	3626.4	3626.2	3629.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	1567.8	1563.7	1566.2	1571.7	1570.6	1571.7	1572.0	1571.2	1569.2	1572.2	1563.5

Time of FT-SE 100 High: 11.12 am Low: 9.06 am

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1144.4	1144.6	1146.4	1147.3	1148.5	1148.6	1150.0	1150.0	1148.1	1146.4	1141.7	+4.7
Pharmaceuticals	2889.9	2875.4	2889.2	2910.8	2901.0	2899.5	2901.0	2881.5	2885.1	2880.5	2857.8	+2.7
Water	1768.0	1757.9	1756.7	1782.5	1764.0	1782.0	1781.9	1779.3	1781.3	1781.3	1756.5	+24.8
Banks	2806.3	2804.2	2809.7	2820.1	2816.7	2819.1	2818.7	2813.2	2811.0	2811.8	2787.6	+24.2

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
FT-SE Total Return Indices	31/12/92	1000.00	FT-SE Mid 250 ex Inv Trusts	31/12/85	1412.00	Water	29/12/89	1000.00	UK Gilts Indices	31/12/75	100.00
FT-SE SmallCap	31/12/92	1363.79	FT-SE-A 350	31/12/85	682.94	Non-Financials	10/4/62	100.00	Index-Linked	30/4/82	100.00
FT-SE SmallCap ex Inv Trts	31/12/92	1363.79	FT-SE 100	31/12/83	1000.00	FT-SE-A All-Share	10/4/62	100.00	Debs and Loans	31/12/77	100.00
FT-SE Mid 250	31/12/85	1412.60	Electricity	31/12/90	1000.00	All Other	31/12/85	1000.00			

The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-SE Actuaries All-Share Index and the FT-SE SmallCap Index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. © The Financial Times Limited 1994. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. Auditor: The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

Glaxo hit by Zantac concerns

Bad news continued to dog Glaxo, the UK's leading pharmaceuticals group, as the spectra of a long running legal suit returned to haunt it, sending the shares into retreat. The news comes only a week after the market came to terms with news of big losses in its £2.2bn investment portfolio.

The shares, which are also actively traded in New York, had performed strongly in early London dealing as they responded to the rise in the dollar.

Then in the afternoon the company announced it had issued patent infringement proceedings against Novopharm, a Canadian generics company which is attempting to get around Glaxo's US patent on Zantac, the anti-ulcer treatment which is Glaxo's biggest selling drug. Glaxo is already suing Ciba, which plans to sell a generic version of Zantac in the US in 1996. Within minutes Novopharm put out a statement saying that it was counter-suing Glaxo for $300m.

There was a rush to sell the stock particularly in the US and after being 10 higher the shares ended the day 14 lower at 574p with turnover boosted to 5.5m shares.

As the market closed the story became even murkier with claims from some analysts that a version of Zantac, known as Form 1, was already being sold in New Zealand and Denmark. If true it would undermine Glaxo's claims that Form 1 is innately unstable.

Cadbury downgrade

Soft drinks and confectionery group Cadbury Schweppes was weak again as concerns over strategy were compounded by a downgrade by Lehman Brothers. The US broking house lopped £21m from its 1994 estimate to £449m, and £60m from its following year forecast to £463m. One of its key concerns is tough competition in the US soft drinks market where the threat from private label suppliers has forced the market leaders to make big price cuts. With such known names as Canada's Cott - one of North America's biggest private label cola producers – moving into the UK, Lehman believes a price war here is highly likely.

Cadbury also continued to be undermined by worries over its 25 per cent stake in Dr Pepper, the US soft drinks group. Observers are growing increasingly concerned that Cadbury will be unsuccessful in its attempts to either gain board representation and greater co-operation, or a full takeover. Cadbury shares slid 5 to 434p on moderate turnover of 2m.

Building materials stocks were in demand, with Credit Lyonnais Laing adding its support as it recommended an "overweight" stance. The broker said that an increase in new housebuilding was stimulating materials demand and price rises were being sustained in a variety of goods. BPB gained 10 to 343p, Blue Circle 8 to 322p, Marley 11 to 166p, and Wolsely 13 to 823p.

Composite insurer Commercial Union tumbled 11 to 542p as the market nervously awaited the much-heralded rights issue which is anticipated ahead of the interim figures scheduled for August 10. Analysts believe the insurer will bring its figures forward and announce them with a £325m cash call, possibly as soon as next week.

Reuters Holdings continued under pressure from some heavy selling by one US house, believed to be Goldman Sachs. The shares were down for much of the day and closed only a penny firmer at 468p with turnover exceptionally high at 10m shares.

Wellcome gained 28p at 633 after the market took stock of Thursday's slightly confusing interim results, which had been prompted by a shift in the pharmaceutical company's account year. On consideration investors decided that the high exceptional charge and slowdown in Retrovir sales were more than countered by the rise in overall profits and the pick-up in Zovirax sales. The shares bounced 29 to 634p with the help of a couple of broker recommendations.

ICI, the country's largest chemicals group, rose 19 to 837p as the market grew increasingly optimistic over the prospects for second-quarter results on Thursday. The shares were also buoyed by figures from German group Bayer which predicted it would reach its target of a 15 to 20 per cent rise in profits for the year.

Shell Transport shares approached their all-time high in response to hopes of an early conclusion to the sale of its Billiton metals business. But the stock moved back from its high on reports that the Nigerian oil workers negotiations had reached deadlock and closed 6 better at 742p.

Bank stocks gained ground ahead of the interim reporting season which begins next week. Lloyds, which is the first to report on July 29, rose 3 to 560p, Abbey National, which declares on August 1, gained 9 to 408p and National Westminster, which reports the following day rose 8 to 464p.

British Airways was said to have been helped by a recommendation from SG Warburg. The shares climbed 4 to 435p.

Good UK car production figures stimulated rises in related stocks. Among component suppliers, GKN gained 8 to 624p, Avon Rubber 10 to 600p, Laird 11 to 403p and T&N 6 to 242p. Among distributors, Cowie added 5 to 282p, Lex Service 5 to 464p and Inchcape 3 to 459p.

News from the US that DIY giant Home Depot had distanced itself from entering the crowded UK market brought some respite to the beleaguered sector. Kingfisher, under pressure following news that Home Depot had hired a former B&Q executive to spearhead its European expansion, rallied 8 to 509p. Texas owner Ladbroke gained 5 to 174p, while Do It All parents Boots and WH Smith climbed 5 to 527p and steadied at 473p respectively.

Salisbury-based brewer Gibbs Mew announced a £12.8m deal to buy nearly 200 pubs and a £13.6m two-for-three rights issue at 340p a share. The company also announced a tripling of full-year profits to £3.1m. The shares retreated 27 to 391p.

Granada was again under a cloud following this week's director's share sale, the stock slipping a half-penny to 532p.

More bear stories circulating around Wembley saw the shares slump 30 per cent to 7½p, although turnover was a measly 63,000. The company confirmed that it would not pay a dividend on its convertible preference shares.

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (44).

NEW LOWS (41).

■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises			
Black Arrow	41	+	8
Blue Circle	322	+	8
Close Bros	235	+	15
Cranswick	157	+	6
Delta	522	+	15
Int Business Comm	207	+	8
Jupiter Tyndall	301	+	12
Kleinwort Benson	469	+	12
Marley	166	+	11
Merivale Moore	71	+	11
Prudential	321	+	9
Shanks & McEwan	89	+	4
Shoprite	36	+	6
Smiths Inds	464	+	13
Waste Management	588	+	19
Wellcome	634	+	29
Yorklyde	260	+	10
Falls			
Commercial Union	542	-	11
Gibbs Mew	391	-	27
Glaxo	574	-	14
Klearfold	129	-	7
Sycamore	1¼	-	¾
UK Safety	51	-	14

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

LEGAL NOTICE

No. 003861 of 1994

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF HEMINGWAY HOLDINGS LIMITED

and

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 6th July 1994 confirming the reduction of the share capital of the above-named Company from £3,682,828 to £1,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 8th July 1994.

Dated this 22nd day of July 1994

ASHURST MORRIS CRISP
Broadwalk House
5 Appold Street
London EC2A 2HA
Reference: SAW
Solicitors for the said Company

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Mutual Assurance plc

Scottish Provident Group

Scottish Widows' Group

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group - Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

Windsor Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

Allied Dunbar International Assce Ltd

CMI Insurance Co Ltd

Century Life International Ltd

Equitable Life (International)

Eurolife Assurance Group

Fidelity International

Friends Provident International

Hill Samuel Life Assurance

Isle of Man Assurance Ltd

Lombard International Assurance

Providence Capital International Ltd

Royal Life International

Scottish Provident Intl Life Ass Ltd

Sun Alliance International Life

Sun Life International (IOM) Ltd

MANAGEMENT SERVICES

Capital Trust Financial Management

Chase de Vere PLC

DBS Financial Management Ltd

Fairmount Financial Services Ltd

Foster & Braithwaite Ltd

Knight Williams & Company Ltd

Macartney & Bowie Invest Mgt Plc

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Lazard Freres Asset Management (CI) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Baring International Fd Managers (Ireland)

Coutts & Co Fund Managers Limited

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Morgan Grenfell Prelands Plc

Gartmore Fund Mngrs Intl Ltd

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Worldinvest (Managers) Jersey Ltd

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

Wells Fargo U.S. IT Fund

Worldwide Limited

NAV Jun 30 ... $92.57

Xiphias International Investment Fd Ltd

Yamaichi Capital Management (Guernsey) Ltd

Thai Inc Fund ... $20.21

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. Distribution free of UK taxes. Periodic premium insurance plans. Single premium insurance. Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities). Offered price includes all expenses except agent's commission. Previous day's price. Guernsey gross. Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Jul 22 / US$)

EUROPE

AUSTRIA (Jul 22 / Sch)

BELGIUM/LUXEMBOURG (Jul 22 / Frs.)

CANADA (Jul 22 / Can. $)

DENMARK (Jul 22 / Kr)

FINLAND (Jul 22 / Mks)

FRANCE (Jul 22 / Frs.)

GERMANY (Jul 22 / Dm.)

ITALY (Jul 22 / Lire)

NETHERLANDS (Jul 22 / Fls.)

NORWAY (Jul 22 / Kroner)

SPAIN (Jul 22 / Pts.)

SWEDEN (Jul 22 / Kronor)

SWITZERLAND (Jul 22 / Frs.)

AFRICA

SOUTH AFRICA (Jul 22 / Rand)

PACIFIC

JAPAN (Jul 22 / Yen)

AUSTRALIA (Jul 22 / Aust$)

HONG KONG (Jul 22 / H.K.$)

MALAYSIA (Jul 22 / MYR)

SINGAPORE (Jul 22 / S$)

INDICES

	Jul 22	Jul 21	Jul 20	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	18651.87	18614.53	25470.40	16/2	17758.90	20/4
Australia							
All Ordinaries(1/1/80)	2052.5	2049.2	2078.6	2340.60	3/2	1957.40	27/6
All Mining(1/1/80)	1015.8	1015.3	1029.8	1130.10	3/2	904.60	5/5
Austria							
Credit Aktien(30/12/84)	412.59	412.48	412.73	460.66	2/2	398.97	22/6
Traded Index(2/1/91)	1077.15	1073.55	1075.98	1222.25	1/2	1011.38	6/5
Belgium							
BEL20 (1/1/81)	1433.06	(c)	1428.51	1542.65	9/2	1393.98	13/7
Brazil							
Bovespa (29/12/83)	(u)	40165.0	40386.0	40790.00	18/7	3800.90	3/1
Canada							
Metals Minls♦(1975)	(u)	3840.48	3829.65	3879.59	18/3	3290.06	20/4
Composite♦ (1975)	(u)	4172.60	4181.74	4609.90	23/3	3959.90	24/6
Portfolio§§ (4/1/83)	(u)	1948.27	1953.17	2182.89	1/2	1053.17	20/7
Chile							
IPGA Gen (31/12/80)	(u)	4301.2	4306.2	4867.00	4/2	3901.20	4/4
Denmark							
CopenhagenSE(3/1/83)	377.79	374.80	373.50	415.78	2/2	358.60	22/6
Finland							
HEX General(28/12/90)	1834.0	1816.6	1817.6	1972.08	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1358.34	1362.65	1359.86	1566.20	2/2	1295.38	4/7
CAC 40(31/12/87)	2041.41	2053.78	2043.72	2355.93	2/2	1886.18	4/7
Germany							
FAZ Aktien(31/12/58)	808.23	800.56	804.24	859.27	18/5	757.51	27/6
Commerzbank(1/12/53)	2300.0	2278.4	2289.2	2465.50	2/5	2149.30	27/6
DAX (30/12/87)‡	2150.25	2113.30	2136.65	2271.11	16/5	1958.82	20/6
Greece							
Athens SE(31/12/80)	829.71	826.64	830.91	1194.58	18/1	606.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9152.89	9117.88	9188.82	12201.09	4/1	8309.44	4/5
India							
BSE Sens.(1979)	4103.3	4104.4	4110.8	4332.90	20/6	3454.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	459.07	461.14	462.54	612.88	5/1	448.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1826.86	1821.22	1826.28	2082.16	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	730.45	720.11	716.50	817.17	10/5	589.85	10/1
MIB General (4/1/94)	1180.0	1163.0	1157.0	1318.00	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	20462.69	20622.92	20780.76	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	296.53	299.35	302.22	311.71	13/6	258.22	4/1
Topix (4/1/68)	1637.86	1651.98	1665.49	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2486.10	2509.57	2531.55	2542.65	6/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1000.46	996.36	1009.72	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2232.81	2210.95†	2881.17	8/2	1957.33	20/4
Netherland							
CBS TtlRtnGen(End 83)	429.1	425.6	423.8	464.90	31/1	408.30	21/6
CBS All Shr (End 83)	272.4	270.1	268.0	294.80	31/1	257.00	21/6
New Zealand							
Cap. 40 (1/7/86)	2036.27	2036.20	2054.94	2439.64	3/2	1945.51	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1119.74	1114.52	1108.81	1211.10	28/2	989.91	21/6
Philippines							
Manila Comp (2/1/85)	2708.15	2648.54	2663.46	3308.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	2732.9	2736.6	2745.4	3226.80	18/2	2612.80	20/6
Singapore							
SES All-S'pore(2/4/75)	551.43	551.65	554.09	641.61	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2047.0♥	2084.0	2113.0	2331.00	4/1	1749.00	14/2
JSE Ind. (28/9/78)	6374.0♥	6364.0	6359.0	6757.00	15/6	5446.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	939.09	935.35	936.67	974.28	2/2	835.37	2/4
Spain							
Madrid SE (30/12/85)	307.05	304.34	304.40	358.31	31/1	291.43	6/7
Sweden							
AffarsvarldnGen (1/2/37)	1465.7	1445.20	1445.30	1603.90	31/1	1334.70	6/7
Switzerland							
Swiss Bk Ind (31/12/58)	1311.61	1196.41	1187.86	1423.34	31/1	1157.97	18/7
SBC General (1/4/87)	934.44	917.28	912.81	1083.29	31/1	888.10	13/7
Taiwan							
WeightedPr.(30/6/66)**	6495.60	6577.70	6474.30	6577.70	21/7	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	1348.06	1342.01	1363.59	1753.73	4/1	1198.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	21451.9	21332.49	21717.8	28883.60	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)§	(u)	626.4*	628.0	641.50	1/2	591.69	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1367.40	1371.54	1367.58	1540.19	31/1	1303.48	21/6
Euro Top-100 (26/6/90)	1211.61	1201.85	1199.89	1311.01	2/2	1143.06	21/6
JCapelOrgns (31/12/88)	(u)	311.91	313.89	365.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	(u)	157.09	157.55	182.72	14/2	141.85	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Jul	2073.0	2053.0	-12.0	2085.0	2052.0	25,370	31,676
Aug	2083.5	2061.0	-12.5	2091.0	2062.0	-	2,293
Sep	2091.5	2069.5	-12.0	2100.0	2069.0	2,852	26,318

Open interest figures for previous day.

US INDICES

Dow Jones	Jul 21	Jul 20	Jul 19	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3732.45	3727.27	3748.31	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.55	97.61	97.76	105.81 (21/1)	96.43 (13/5)	106.77 (18/10/93)	54.99 (1/10/81)
Transport	1597.84	1595.31	1605.58	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	182.18	182.84	183.17	227.88 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3763.20 (3763.85) Low 3684.88 (3706.22) (Theoretical♦)
Day's high 3744.10 (3753.49) Low 3714.64 (3720.47) (Actual♦)

Standard and Poors	Jul 21	Jul 20	Jul 19	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	452.61	451.60	453.86	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	527.61	526.43	529.02	588.59 (2/2)	510.05 (21/4)	588.59 (2/2/94)	3.62 (21/6/32)
Financial	44.60	44.51	44.88	48.84 (14/6)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	250.06	249.70	250.89	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	433.24	433.00	435.98	487.89 (2/2)	422.87 (23/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	715.03	712.77	719.32	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jul 15	Jul 8	Jul 1	Year ago
Dow Jones Ind. Div. Yield	2.71	2.74	2.79	2.95
	Jul 20	Jul 13	Jul 6	Year ago
S & P Ind. Div. yield	2.46	2.47	2.49	2.56
S & P Ind. P/E ratio	23.07	22.93	22.72	24.89

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	453.30	454.15	+0.85	454.30	452.85	49,587	203,436
Dec	456.35	456.80	+0.90	456.80	456.35	282	12,501
Mar	-	460.15	-	460.15	-	5	2,846

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
IBM	8,799,300	62¾	+5½
Compaq	5,522,100	37¼	+¼
Automtd Sec	4,164,300	3⅛	-⅛
WMX Tech	3,519,700	29¾	+⅛
Equity Res	3,441,500	32¾	+1
Humana	3,159,300	17⅝	+⅛
Jhsn & Jhsn	2,793,400	46⅝	+1½
Ford Motor	2,490,500	31	-⅜
Pepsico	2,429,800	30⅝	-⅛
Utd Health	2,388,900	43¾	——

■ TRADING ACTIVITY

● Volume (million)

	Jul 21	Jul 20	Jul 19
New York SE	284.295	287.750	251.488
Amex	15.211	13.028	14.457
NASDAQ	275.710	271.374	271.899
NYSE			
Issues Traded	2,834	2,814	2,842
Rises	987	727	970
Falls	1,089	1,394	1,083
Unchanged	758	693	779
New Highs	33	31	56
New Lows	65	45	44

— Sat July 16: Taiwan Weighted Price Ind.; Korea Comp Ex 949.73. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index. Jul 22 - 2148.23 +21.48

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

WORLD STOCK MARKETS

AMERICA

Corporate results fail to spur Dow

Wall Street

US share prices meandered in lacklustre trading yesterday morning as the heavy flow of corporate results flooding into Wall Street this week eased, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 1.62 lower at 3,730.83, while the more broadly based Standard & Poor's 500 was a scant 0.14 ahead at 452.75. Volume on the Big Board was modest, with 157m shares exchanged by early afternoon. In the secondary markets, the American SE composite dipped 0.51 to 432.73, while the Nasdaq composite added 0.65 to 715.68.

The Dow industrials opened higher, but most stocks quickly retreated to near their opening values and stagnated.

The narrow range in which share prices moved reflected an over-riding sense of caution which has gripped the market since Mr Alan Greenspan, the Federal Reserve chairman, appeared before the senate banking committee on Wednesday. His testimony caught the financial markets by surprise by suggesting an imminent move to lift interest rates was likely.

In the second leg of Mr Greenspan's Humphery-Hawkins economic briefing yesterday morning, the Fed chief delivered much the same message to the House banking committee as he had given earlier in the week. With Mr Greenspan saying nothing to calm investors' rekindled fear of a rate increase, the market remained in a turpor.

The downward tilt paralleled the morning's action in bonds, where prices softened in trading held to a minimum by the approach to a summer's weekend.

Among the Dow Jones industrials, McDonald's dropped $1⅝ to $26⅝ in heavy volume of 3.2m shares. The downturn was a delayed response to the fast-food chain's earnings announcement, which had slicited a muted response the previous session. After digesting the figures, at least two Wall Street securities houses – Merrill Lynch and Montgomery – downgraded the issue.

On the positive side, USX-US Steel climbed $1½ to $36⅝. The group had released datails of a strong second-quarter after the market closed on Thursday.

In the computer sector; Apple Computer followed IBM's blockbuster results with an impressive second-quarter performance of its own. The stock jumped $2¾ to $30⅞ after the company posted underlying earnings of 50 cents a share, against a consensus forecast of 35 cents.

Though IBM, off $⅞ at $61½ was hurt by profit-taking, many technology stocks showed improvement. Storage Technology was marked up $1⅞ to $37⅞ after publishing better-than-expected results. However, Compaq Computer shed $⅞ to $30⅞.

On the Nasdaq, Microsoft climbed $3¼ to $50¼, buoyed in part by encouraging remarks about the company's growth prospects at an analysts' meeting in Chicago.

Canada

Toronto eased in quiet midday trading with little news expected to jolt the market out of its summer doldrums and Mr Alan Greenspan's comments on his last day of congressional testimony having little impact.

The TSE 300 was 2.70 lower at 4,169.90 in moderate volume of 14.85m shares. Declines outpaced advances 81 to 73, with 104 stocks steady.

Brazil

São Paulo edged lower in light trade, dragged down by heavy selling of Eletrobras after reports that the state power utility was considering a huge share offering.

The Bovespa index was 97 lower at 40,088 at 13.00 local time in weak volume of R$121m ($129m).

A news agency reported that the Eletrobras' board of directors was planning a $300m subscription, equivalent to 15 per cent of the company capital, to be presented at a shareholders meeting next Friday. Elatrobras preferred dropped 4.3 per cent to R$217.11 while the common stock fell 4.4 per cent to R$217.

EUROPE

Paris suffers a setback late in the session

With the exception of Paris the markets were generally stronger yesterday.

PARIS closed at the session low, with the fall occuring late in the day, which also saw the end of the account. The CAC-40 index dipped 12.37 to 2,041.41, up 3.4 per cent on the week, having earlier reached a high of 2,074.

UBS Global Research commented yesterday that, after the good gains of the last two weeks, investors would have to decide, with the start of the new account, "whether to buy the market for fundamentals after such a rapid correction, or to wait". They expected a period of relative stability, with tba index hovering around the 2,000 to 2,050 level.

Sanofi, down FFr1 at FFr975, attracted the attention of two brokers: Hoare Govett and Nikko Europe, both reaffirming their buy ratings on the stock, and the latter expecting earnings growth of 17 per cent in 1994 and 21 per cent in 1995.

FRANKFURT enjoyed a comfortable end to the week, helped by some positive news from the corporate sector.

The Dax index ended the official session 36.83 points ahead at 2,150.13, for a week's gain of 2.7 per cent. In Ibis trade the market slipped back slightly, closing at 2,148.23. Turnover was DM7.5bn.

The chemicals again did well, with Bayer, for instance, up DM6.70 at DM362.70, up 6.7 per cent over the week, and in Ibis trada added a further DM1.10. The company reported that it was on target for a rise in profits of between 15 to 20 per cent for the year.

Daimler was another solid gainer, up DM19 at DM772, a day's gain of 2.5 per cent and a week's of 3.3 per cent. The stock was helped by positive comments from Mercedes.

Lufthansa added DM5.60 to DM201.50, off a session high of DM204.50, as confidence in the airline was encouraged by a number of buy notes. Hoare Govett, in one, argued that the group should see a return to profit in 1994, thereby vindicating two years of aggressive cost-cutting.

ZURICH extended its rally to a fourth day, mirroring the stronger dollar and still paying close attention to corporate reporters. The SMI index rose 18.4 to 2,597.8 for a 3.3 per cent advance over the week.

Nestlé, whose better than expected figures on Tuesday sparked the market's improved sentiment, picked up SFr9 to SFr1,179 while Sulzer put on SFr16 to SFr921 on the view that Thursday's news on orders during the first half of the year underlined the company's positive prospects.

Roche's recovery continued, the certificates rising another SFr60 to SFr5,520 while Ciba picked up SFr24 to SFr781.

Insurers had a strong day. Winterthur registered rising SFr18 to SFr698 and Zurich bearers advancing SFr23 to SFr1,350.

MILAN tried to put political worries aside, concentrating instead on the improving economic outlook and the latest budget news.

The Comit index rose 10.34 to 730.45, for a 2.7 per cent rise over the week. Volume picked up as domestic funds resumed buying, but foreign investors remained wary.

Fiat rose L192 or 2.8 per cent to L7,051 as union leaders said that the group was cutting the number of planned lay-offs by the end of the year because of a pick-up in demand.

Olivetti rose L64 or 2.5 per cent to L2,586 and BCI, encountering renewed foreign buying, advanced L175 or 3.7 per cent to L4,930.

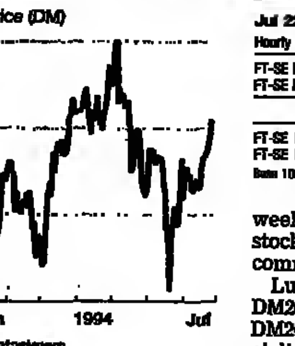
Ciga gained L31 to L1,112, as the Consob market regulator announced that ITT Sheraton, which holds 24 per cent of the hotel group, would have to make a public offer to buy more shares.

AMSTERDAM resurfaced above the 400 level, the Aex index adding 3.98 or 1 per cent to 403.02. However, trading was light ahead of the the weekend. The market rose 2 per cent across the week.

Written and edited by John Pitt and Michael Morgan

Lufthansa

Share price (DM)



Source: Datastream

FT-SE Actuaries Share Indices

Jul 22 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1379.85	1381.00	1382.65	1386.86	1388.10	1389.81	1389.20	1387.40
FT-SE Eurotrack 200	1419.86	1419.17	1422.23	1424.69	1424.76	1426.15	1423.30	1424.29

	Jul 21	Jul 20	Jul 19	Jul 18	Jul 15
FT-SE Eurotrack 100	1371.54	1367.56	1361.71	1348.11	1349.02
FT-SE Eurotrack 200	1407.95	1407.57	1404.54	1391.67	1392.05

Base 1000 (26/10/90); High/day: 100 - 1389.94; 200 - 1431.79 Low/day: 100 - 1379.38 200 - 1418.97

SOUTH AFRICA

Industrials saw late interest to end higher. Gold shares were pressured by a weak bullion price. The overall fell 5 to 5,549, industrials added 10 to 6,374 and gold lost 37 to 2,047.

ASIA PACIFIC

Blue chip weakness affects Nikkei

Tokyo

Selling of blue chip shares by corporate and overseas investors pushed prices lower, and the Nikkei index lost ground in spite of buying by individual investors, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index fell 160.03 to 20,462.89 after a high of 20,673.53 in early trading and a low of 20,427.29 in the afternoon. The index fell [illegible]5 per cent on the week.

The slight rebound of the dollar against the yen helped share prices in the morning, but afternoon profit-taking and arbitrage selling depressed the index.

Volume totaled [illegible]m shares against 257m. The Topix index of all first section stocks fell 14.12 to 1,637.8[illegible] while the Nikkei 300 lost 3.0[illegible], or 1 per cent to 296.53. Losers led gainers by 741 to 250 with 186 issues remaining unchanged.

In London, the ISE/Nikkei 50 index fell [illegible] to 1,325.97.

High-technology issues which [illegible] gained on the multi-media and telecommunications themes fell. NEC fell Y10 to Y1,200 and Fujitsu declined Y20 to Y1,050 while heavy electricals such as Hitachi lost Y10 to Y1,000.

Profit-taking hit large capital steels and shipbuilders. Nippon Steel fell Y1 to Y339 and Mitsubishi Heavy Industries declined Y9 to Y784.

Speculative issues were picked up by individual investors. Tomoegawa Paper, which rose by its daily limit, climbed Y69 to Y635 and Kiyo Bank rose Y7 to Y941 on rumours that a speculator was buying up the bank's shares.

In Osaka, the OSE average fell 165.20 to 22,919.88 in volume of 33.2m shares.

Roundup

Taipei lost most of its gains, Manila was strong and other markets drifted.

TAIPEI encountered heavy selling following Thursday's impressive rise. The weighted index slid 81.10 to 6,496.60 as turnover rose to T$126.17bn from Thursday's T$91.53bn. The market gained 1.4 per cent over the week.

Financial sector stocks took the biggest losses: ICBC down T$4.50 to T$88.50 and China Trust down T$4 to T$79. Plastics also fell heavily: Taiwan Polypropylene, Grand Petrochemical and USI Far East all falling by the daily 7 per cent limit to T$68.50, T$52 and T$47.50, respectively.

MANILA recorded its biggest one day rise in seven weeks assisted by strong demand for Petron's initial public offering.

The composite index closed up 59.46 at 2,706.00, for a week's rise of nearly 4 per cent. Turnover advanced strongly to 1.44bn pesos.

HONG KONG was pushed higher by a round of late bargain hunting. The Hang Seng index advanced 35.33 to 9,152.99, up 0.4 per cent over the week.

Turnover was HK$2.55bn from Thursday's HK$3.35bn.

Brokers noted that short-term positions had been taken on selected blue chips such as Jardine Matheson, up HK$1 to HK$62.75. There was also interest in defensive sectors such as utilities, with its sub-index outperforming the overall market, rising 0.8 per cent to 10,552. HK Electric rose 45 cents to HK$23.45 and HK Telecom added 15 cents to HK$15.

The banking sector was the only loser as investors remained unnerved by worse than expected interim results from Bank of East Asia, which slid 60 cents to HK$31.70.

SYDNEY rose slightly in subdued trade, and the All Ordinaries index put on 3.3 to 2,052.6, barely changed over the week.

Turnover was A$368.7m.

Independent Holdings added 41 cents to A$4.81 after Davids lifted its takeover offer for the grocer by 55 cents to A$4.80. IHL recommended shareholders to accept the new bid.

Foodland, which holds an 18 per cent stake in Independent, fell 5 cents to A$4.85.

Meanwhile, Coles Myer and Rank Commercial said that they would drop their bid for Foodland if their application for leave to appeal an injunction stalling the offer failed

Coles Myer lost 1 cent to A$4.29.

SEOUL rebounded from recent weakness and the composite index added 3.74 to 939.09, off 1 per cent across the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock.

THURSDAY JULY 21 1994

National and regional markets	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield
Australia (68)	172.00	-1.7	165.85	107.29	140.93	155.58	-1.5	3.54
Austria (17)	186.93	-0.7	190.25	116.60	153.16	153.15	0.0	1.04
Belgium (37)	170.85	-0.5	164.75	106.56	139.98	136.61	0.0	4.05
Canada (109)	127.48	-0.1	122.93	79.52	104.45	127.22	-0.3	2.66
Denmark (33)	270.83	-0.5	261.15	168.94	221.90	228.00	0.1	1.30
Finland (24)	158.24	-0.3	152.59	86.71	129.66	173.42	0.4	0.61
France (97)	175.34	-0.3	169.07	109.38	143.69	148.56	0.4	2.96
Germany (58)	142.49	-1.8	137.40	88.88	116.74	115.74	-1.0	1.77
Hong Kong (56)	370.91	-0.8	357.87	231.38	303.61	367.67	-0.8	3.22
Ireland (14)	199.15	-1.4	192.04	124.23	163.15	184.95	-0.6	3.30
Italy (71)	88.27	0.3	85.12	55.06	72.33	103.67	1.1	1.46
Japan (469)	166.85	-0.5	160.89	104.08	136.71	104.06	-0.8	0.74
Malaysia (95)	470.01	-1.1	453.23	293.20	385.11	469.02	-1.2	1.74
Mexico (18)	1871.27	-1.5	1804.41	1167.30	1533.20	6962.57	-1.6	1.92
Netherland (27)	206.85	-0.2	199.46	129.03	169.48	186.93	0.5	3.40
New Zealand (14)	68.67	-0.5	66.22	42.84	56.27	60.36	-1.2	3.96
Norway (23)	206.64	0.4	199.26	128.90	169.31	193.05	1.1	1.71
Singapore (44)	344.05	-0.7	331.76	214.62	281.90	239.44	-0.5	1.76
South Africa (59)	286.55	-0.8	276.32	178.75	234.79	284.04	-0.5	2.23
Spain (42)	141.47	-0.6	136.41	88.25	115.91	139.32	0.1	4.14
Sweden (36)	214.82	-0.2	207.14	134.00	176.01	247.39	-0.1	1.62
Switzerland (47)	158.42	0.0	152.76	98.82	129.80	130.72	0.5	1.86
United Kingdom (204)	193.91	-0.2	138.98	120.96	158.88	186.98	0.5	4.04
USA (519)	164.76	0.2	178.18	115.25	151.38	164.76	0.2	2.90
EUROPE (720)	170.32	-0.4	164.24	106.25	139.65	154.08	0.3	3.01
Nordic (116)	213.25	-0.3	205.63	133.02	174.72	208.43	0.1	1.42
Pacific Basin (749)	174.02	-0.8	167.80	108.55	142.58	113.87	-0.9	1.05
Euro-Pacific (1469)	172.33	-0.6	166.18	107.50	141.20	129.87	-0.4	1.87
North America (626)	181.21	0.2	174.73	113.04	148.47	180.90	0.2	2.89
Europe Ex. UK (516)	153.73	-0.5	148.24	95.90	125.96	134.23	0.1	2.41
Pacific Ex. Japan (280)	246.38	-1.0	237.58	153.69	201.88	220.56	-1.0	2.88
World Ex. US (1652)	173.13	-0.6	166.94	108.00	141.85	133.06	-0.4	1.89
World Ex. UK (1967)	174.22	-0.4	168.00	108.68	142.75	145.51	-0.3	2.05
World Ex. So. Af. (2112)	175.29	-0.3	169.03	109.34	143.62	148.26	-0.2	2.24
World Ex. Japan (1702)	183.14	-0.1	176.60	114.24	150.05	175.21	0.1	2.92
The World Index (2171)	175.97	-0.3	169.68	109.77	144.18	149.27	-0.2	2.24

WEDNESDAY JULY 20 1994 / DOLLAR INDEX

National and regional markets	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	174.98	187.44	109.21	142.44	158.01	189.15	138.56	140.69
Austria (17)	186.17	180.11	117.47	153.22	153.12	195.41	155.68	156.47
Belgium (37)	171.67	164.31	107.17	139.78	135.61	176.67	143.62	150.39
Canada (109)	127.57	122.10	79.64	103.57	127.62	145.31	120.54	124.14
Denmark (33)	272.26	260.61	168.98	221.70	227.75	275.79	207.56	214.40
Finland (24)	158.70	151.90	99.07	129.22	172.78	159.20	95.42	99.98
France (97)	175.84	168.31	109.77	143.10	147.98	185.37	150.92	150.92
Germany (58)	144.85	138.64	90.43	117.94	117.94	147.07	112.89	116.81
Hong Kong (56)	373.11	357.13	232.92	303.61	370.04	508.56	271.42	274.33
Ireland (14)	201.90	193.26	126.04	164.40	185.97	209.33	157.90	181.47
Italy (71)	88.01	84.24	54.94	71.66	102.54	97.76	67.88	68.28
Japan (469)	168.14	160.94	104.97	136.91	104.97	170.10	124.54	149.87
Malaysia (95)	475.35	454.96	296.76	387.07	474.81	621.63	343.52	343.52
Mexico (18)	1901.74	1820.26	1167.21	1548.48	7077.61	2647.08	1516.57	1539.10
Netherland (27)	207.24	198.36	129.38	168.75	186.15	207.46	185.39	196.39
New Zealand (14)	69.25	66.28	43.23	56.38	61.10	77.59	52.24	52.79
Norway (23)	205.83	197.01	128.49	167.60	161.04	207.35	156.74	158.91
Singapore (44)	346.56	331.72	216.35	282.20	241.25	378.92	250.05	252.79
South Africa (59)	288.92	276.54	180.37	235.25	285.44	292.64	175.83	205.00
Spain (42)	142.27	136.18	86.82	115.86	139.15	155.79	118.33	120.31
Sweden (36)	215.34	206.11	134.43	175.34	247.55	231.35	168.75	170.51
Switzerland (47)	158.42	151.64	98.90	129.00	130.04	176.56	124.46	124.46
United Kingdom (204)	194.34	186.01	121.32	158.24	186.01	214.96	172.26	173.53
USA (519)	184.35	176.45	115.08	150.11	184.35	196.04	176.95	183.05
EUROPE (720)	171.01	163.69	106.78	139.25	153.68	178.58	143.32	143.95
Nordic (116)	213.64	204.68	133.49	174.12	209.17	220.60	160.69	163.24
Pacific Basin (749)	175.44	167.92	109.52	142.65	114.67	176.86	134.79	153.31
Euro-Pacific (1469)	173.45	166.01	108.28	141.23	130.40	173.88	143.88	149.36
North America (626)	180.83	173.08	112.89	147.24	180.45	192.73	175.67	179.40
Europe Ex. UK (516)	154.53	147.90	96.47	125.82	134.08	157.47	125.09	125.39
Pacific Ex. Japan (280)	248.95	238.29	155.41	202.71	222.87	298.21	185.92	187.49
World Ex. US (1652)	174.25	166.78	108.78	141.88	133.82	174.78	145.58	149.93
World Ex. UK (1967)	174.85	167.38	109.16	142.37	145.90	175.58	155.96	158.71
World Ex. So. Af. (2112)	175.89	168.35	109.80	143.22	148.54	178.56	158.54	159.82
World Ex. Japan (1702)	183.42	175.57	114.51	149.35	175.05	195.20	166.51	187.36
The World Index (2171)	176.56	169.02	110.24	143.78	149.55	178.97	158.85	160.03

Copyright, The Financial Times Limited, Goldman, Sachs and Co. and NatWest Securities Limited. 1987
Latest prices were unavailable for this edition. Belgian market closed 21/7/94

Scenarios for the final leg of the bull market

Adrian Fitzgerald on strategic investment options

UK-based pension fund managers had good reason to crow at the end of last year. Their international asset allocation resulted in a performance which was well ahead of the benchmark.

WM Company figures show that the average return earned in overseas equities was 39.4 per cent, compared with the return of 25.3 per cent from the FT-A World ex-UK. Underexposure to the US and overweight positions in continental Europe were mainly responsible. More-than-double weightings in the smaller Pacific Basin markets provided the icing on the cake.

Claims at the mid-year stage this year will be more muted. It is likely that overseas equity portfolios are already trailing the FT-A benchmark by 5 or 6 percentage points. The big swing factor has been Japan.

The sterling return for the world ex-UK over the first six months of the year was 1.7 per cent. However, this conceals the fact that nearly all equity markets performed badly. Take Japan out of the index and the return falls to -7.9 per cent.

The problem for most UK-based pension fund managers is that they were very under-exposed to Japan at the start of the year. Worse still, their relatively heavy weightings in the rest of the Pacific Basin will have back-fired on them. Hong Kong and Malaysia, for example, returned -29.2 per cent and -24.1 per cent respectively.

It is a time for a serious strategic re-think. Most equity markets have been driven down this year as a result of the collapse in bond markets triggered by the turn in US interest rates and mounting inflation concerns. It is understandable that the US bond market should be the first to suffer significantly given that the economy is more advanced than most in terms of the current cycle.

It is also inevitable that a collapse in confidence in that market should have a knock-on effect around the world. But quite why the knock-on effect in the UK has been so severe is puzzling many economists and strategists. Long gilt yields have risen by more than 2 percentage points at a time when, if anything, consensus inflation forecasts are still edging down. And what UK managers have to consider is whether this presents them with a good opportunity partially to rebuild some domestic bond exposure or whether the financial markets are signalling that bad news is just around the corner.

Certainly, the significance of this year's collapse in UK bonds should not be under-estimated. The real, total return from long bonds up to the end of last year averaged a remarkable 7.5 per cent a year. And despite a return of -15.9 per cent in the first six months of 1994, long bonds have outperformed equities so far in the 1990s.

These are powerful statistics to consider at a time when anomalous opportunities in the UK bond market may be on offer. However, this is not to advocate a wholesale switch from equities to bonds, merely to suggest that it is an ideal time to reflect on portfolio efficiency. Indeed, our own analysis suggests that a significant recovery in bond markets world-wide would spark off a geared recovery in equity markets. And as far as equity investment is concerned, the secret will be to identify which markets will benefit from a combination of firm bond markets and good news on the economic growth front.

That potential certainly exists in the UK. News on both the inflation and growth front continues to better expectations. Solid growth in corporate earnings and dividends will be achieved this year and next. Moreover, institutional liquidity is very healthy. A recovery in the bond market is undoubtedly needed if US equities are to make renewed headway. The pre-requisites for that to occur are a stabilisation of the dollar and further re-assurance that the strong economy does not present a significant threat to inflation.

If, and when, that scenario unfolds, equity investors will be able to sit back and enjoy what may be the final leg of the cyclical bull market. Our projections for markets elsewhere suggest that UK pension fund managers are highly unlikely to make up lost ground against the international benchmark in the second half of the year.

Despite the good run in the first half, it is too early to be taking profits in Japan.

Equally, we would argue that the pension funds' overweight exposure to continental Europe could prove to be a drag on performance in the medium term. Ratings in many markets are already discounting a sharp rebound in earnings and there is a risk that investors will grow increasingly impatient.

Of course, we could have it completely wrong. Perhaps bond markets are correctly anticipating an inflation resurgence. And perhaps there is a danger that corrective procedures will choke off the recovery. In which case, all equity markets would still be vulnerable.

We think it unlikely. The fundamentals all point to further economic recovery world-wide against a background of continued, low inflation. There is every reason to remain fully invested.

Adrian Fitzgerald is director of equity research at NatWest Securities, Edinburgh

FT-A WORLD INDEX TOTAL RETURNS

	Dollar investor 1993 Year	Dollar investor 1994 H1	Sterling investor 1993 Year	Sterling investor 1994 H1
UK	23.8	-8.8	26.7	-12.4
US	9.8	-3.2	12.6	-7.2
Japan	25.0	30.6	27.9	25.3
Europe ex UK	32.5	0.7	35.5	-3.5
Pacific ex Japan	99.9	-15.7	94.4	-19.2
World ex Japan	21.7	-4.4	24.6	-8.4
World	22.6	4.9	25.4	0.3

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons (*581)	540	45	59	-	1	5	-
	588	4½	27½	-	12½	27½	-
Argyll (*288)	280	11	21½	27½	1	12	17
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Hanson (*261)	260	7	15½	19½	5½	14	17
	280	1½	7½	11½	20	26½	29½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	4	82	6	85	232	42
Other Fixed Interest	0	0	15	6	12	58
Mineral Extraction	82	36	82	381	237	382
General Manufacturers	196	73	379	833	484	1,937
Consumer Goods	48	34	108	240	179	534
Services	127	48	329	550	355	1,606
Utilities	33	4	6	143	35	47
Financials	121	53	195	584	336	925
Investment Trusts	151	16	259	758	171	1,401
Others	70	27	32	302	173	193
Totals	874	353	1,412	3,880	2,211	7,125

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

Calls: Division Group, Eidos, Johnson Fry, Norbain, Remco.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	32.7	105½	99½	Baillie Gifrd Shn C	105½		-	-	-	-
§40	F.P.	12.0	45	33	‡Brocure	33	-4	-	-	-	-
150	F.P.	17.5	161	156	CPL Aromas	161	+3	LN3.0	2.4	2.3	15.4
15	F.P.	5.15	31	21	Camell	26	-2	-	-	-	-
220	F.P.	110.3	225	220	Eurodollar	225	+1	WN8.5	0.9	4.7	17.6
175	F.P.	247.6	203	198	Exco A/L	201		L8.4	2.2	5.3	10.9
-	F.P.	-	35¾	30¼	Five Arrows Wts	33	+¼	-	-	-	-
-	F.P.	53.5	258	238	Ideal Hardware	253		N8.4	1.8	4.2	16.9
-	F.P.	-	77	63	JF Fl Japan Wrts	70		-	-	-	-
3	F.P.	1.73	3¼	3	John Mansfield	3¼		-	-	-	-
100	F.P.	68.6	98	94	Old Mutual SA	98		-	-	-	-
-	F.P.	6.16	45	43	Do Warrants	44		-	-	-	-
23	F.P.	10.5	31	29	Orbis	29		-	-	-	-
-	F.P.	116.1	95	91	Schroder Japan G	94½	+½	-	-	-	-
-	F.P.	12.0	48	42	Do Warrants	48		-	-	-	-
	F.P	44.6	92	88½	Scudder Latin	89		-	-	-	-
-	F.P.	6.02	44	42	Do Wrts	43		-	-	-	-
100	F.P.	34.8	99	98	Shires HY Smlr C	89		-	-	-	-
-	F.P.	1.13	14	11	Sth Country Hms	14		-	-	-	-
100	F.P.	3.52	97	97	TR Euro Gth Ptg	97		-	-	-	-
-	F.P.	-	14	8½	TR Prop Wrts	11½		-	-	-	-
272	F.P.	1,691.6	295	280	3i	291		N6.54	1.1	2.8	33.5
-	F.P.	2.72	35	29	Tops Ests Wrts	34		-	-	-	-
-	F.P.	22.8	104	86	Universal Ceramic	104	+2	LN3.75	1.9	4.5	14.5
-	F.P.	56.0	49	34	VideoLogic	41	+3½	-	-	-	-
140	F.P.	84.0	169	148	Yates Bros Wine	196		L3.0	2.7	2.3	20.4

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
47	Nil	19/8	6pm	3½pm	‡Amberley	5pm	
410	Nil	18/8	54pm	39pm	Cater Allen	44pm	-2
-	Nil	13/8	125pm	01pm	Charter	121pm	
40	Nil	25/8	5pm	2pm	Excalibur	2pm	-¼
120	Nil	1/9	25pm	18pm	Finelist	25pm	
19	Nil	22/8	1¾pm	1¼pm	Greycoat	1½pm	
24	Nil	25/7	3pm	2pm	Helene	2½pm	
70	Nil	18/8	13pm	2pm	‡Learmonth & Brchd	2pm	
6	Nil	3/8	¾pm	¾pm	Paramount	¾pm	
15	Nil	25/7	7pm	1½pm	Quillgotti	3pm	
130	Nil	14/7	26pm	9pm	Ricardo	9pm	
73	Nil	5/8	3pm	¼pm	Wates City of Lon	¼pm	

FINANCIAL TIMES EQUITY INDICES

	July 22	July 21	July 20	July 19	July 18	Yr ago	*High	*Low
Ordinary Share	2423.0	2402.5	2391.6	2404.3	2405.3	2234.6	2713.6	2240.6
Ord. div. yield	4.15	4.18	4.18	4.18	4.16	4.13	4.46	3.43
Earn. yld. % full	5.58	5.62	5.64	5.62	5.62	4.92	5.85	3.82
P/E ratio net	18.11	12.96	12.90	18.98	16.96	26.04	33.43	17.89
P/E ratio nil	19.67	19.71	15.65	19.73	19.71	24.06	30.80	18.61

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2417.5	2411.8	2420.9	2429.5	2427.3	2429.1	2429.3	2427.7	2422.3	2430.4	2411.8

	July 22	July 21	July 20	July 19	July 18	Yr ago
SEAQ bargains	26,755	23,515	25,262	26,689	25,627	24,894
Equity turnover (£m)†	-	1256.0	1578.7	1574.1	1129.8	1220.4
Equity bargains†	-	25,306	30,169	31,944	27,679	28,933
Shares traded (ml)†	-	455.4	588.9	619.2	418.7	474.8

† Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

	Jul 22 1994	% chg on day	Jul 21	Jul 20	Jul 19	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (28)	1854.85	-0.8	1972.51	1863.58	1863.29	[illegible]	2.10	2287.40	1522.66
■ Regional Indices									
Africa (16)	2505.84	-1.2	2942.37	2510.34	2644.88	[illegible]	4.59	3440.80	1902.23
Australasia (6)	2569.08	-1.5	2808.34	2585.34	2375.21	[illegible]	2.02	3013.89	1893.18
North America (12)	1504.93	-0.8	1569.95	1578.05	1629.89	[illegible]	0.81	2039.55	1383.00

Copyright, The Financial Times Limited 1994.
Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: July 22 226.7; day's change: -2.5 points; Year ago: 218.4
Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£21¾	-⅛	£25¼	£20⅛	6,222	5.3	φ
ANZ A$		199½	+3½	278¼	179½	2,667	4.9	28.4
Abbey National	♣N□	408	+9	523	381	5,353	4.3	13.7
Allied Irish I£	♣N□	256	—	314	234	1,696	4.9	8.9
Anglo Irish I£	♣N□	59	—	*76	50	203.0	7.3	16.6
Asahi Y		776¼	-8¼	818¼	628	18,001	0.8	φ
Banco Bil Viz Pta		£14⅞	+⅛	£19⅞	£14⅛	3,439	5.7	6.5
Banco Sant Pta		£30½	—	*£30½	£23¼	4,899	4.7	18.0
Bk Ireland I£	♣□	280	—	*310	246	1,323	4.7	8.1
Bank Scotland	♣N□	187	+1	247	172½	2,180	3.4	15.3
9¼pc Pf		117¾	-¼	141½	114	117.8	6.8	—
9¾pc Pf		122¼	-¾	148½	119¼	122.8	8.8	—
Barclays	♣N□	545	—	640	487	8,867	3.5	22.0
Dai Ichi Kan Y		£11⅞	-⅞	£12⅞	£10⅞	36,098	2.8	60.6
Deutsche DM		£300⅞	-1⅛	£344⅞	£270⅞	14,318	2.3	—
Espirito Santo		£18¼	+⅛	£26⅞	£17⅞	201.2	4.2	4.8
First Nat Fin	N□	68xd	—	*90	60	109.5	2.8	—
6.3pc Cv Pf		78xd	—	*80	77	5.24	10.1	—
7pc Cv Pf		129xd	-½	171	123	61.2	6.8	—
Fuji Bank Y		1478½	-14½	1549¼	1152½	42,828	6.4	φ
HSBC HK	N□	780	+5	1133	690	13,300	2.8	11.0
HSBC (75p Shs)	N□	746	+8	1113	660	8,317	3.8	10.6
Lloyds	N□	580	+3	660	519	7,240	4.9	11.8
Mitsubishi Y		£16⅞	-⅛	£18⅞	£15⅛	48,873	6.3	φ
Mits Tst & Bk Y		1874	-¼	1162¼	887½	12,869	0.5	16.3
Mitsui Tst & Bk Y		162½	+1¼	879	514	9,135	0.7	24.8
Nat Aust A$	†	631¼xd	+8½	820¼	489¼	7,115	5.4	10.9
NatWest	N□	464	+8	622	421	7,721	5.0	18.8
Ottomane FFr		£23½	—	833	£23½	177.5	6.2	φ
Ryl Bk Scotland	♣†N□	390	+8	528	377½	3,109	3.8	17.8
Sakura Y		8913	-⅛	£9⅞	£8⅛	29,558	0.6	52.7
Sanwa Y		£13⅞	-⅛	815⅛	£11⅞	39,998	0.4	φ
Standard Chartd	N□	255	-2	*359¼	223	2,450	2.9	11.2
7 3/8pc Pf		93	-¼	109½	89¼	93.0	8.8	—
Sumitomo Y		£12⅞	-⅛	£16⅞	£11½	40,561	6.4	26.3
Sumitomo Tst Y		987¼	-7½	1148½	625	12,287	0.6	φ
TSB	†N□	204	+1	291	137	3,121	5.8	10.7
Tokai Y		£8¼	-¼	£9	£6⅞	17,639	6.7	52.8
Toyo Tst & Bk Y		789	-2	852	586¼	8,300	0.7	66.8
Westpac A$		228	+5	260	194	4,150	2.4	φ
Yasuda Tst Bk Y	‡	800¼	+4¼	856	442	6,826	0.9	50.8

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2972. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71-873 4378, International) for more information on FT Cityline.

FINANCIAL TIMES
Weekend July 23/July 24 1994

Plutonium find adds to nuclear smuggling fears

By Jimmy Burns in London, Michael Lindemann in Bonn and Leyla Boulton in Moscow

The discovery in Germany of waapons grade plutonium, believed to have been smuggled in from Russia, has increased fears of a potentially dangerous proliferation of nuclear material emanating from the former Soviet republics.

In Bonn, Mr Bernd Schmidbauer, Chancellor Helmut Kohl's aide with responsibility for the intelligeoce services, described the discovery, the first time such material has been found in the west, as "dramatic".

In the US, one of the country's leadiog nuclear proliferatioo experts, Dr William Potter, a director of the Monterey Institute in California, warned that the find could be just the "tip of the iceberg" iovolving a growiog business in illegally traded Soviet nuclear material.

One leading US scientist who has investigated tbe material said last night: "This discovery is extraordinarily significant. It represents a change from the bypothetical to proof."

A senior European Union official yesterday confirmed that scientists had only recently established beyond doubt that six grammes of the nuclear material seized by German police at the beginning of May – a tenth of the total – was highly enriched plutonium-239.

The material was seized in a raid on a garage in Tengen in southern Germany, near the Swiss border.

Analysis of the material was finalised by scientists working for the European Commission at the and of June, leading to a flurry of behind-the-scenes diplomatic activity, straddling the US, western Europe and Russia.

The case was discussed at a special meeting of US, Russian and European law enforcement officials in Germany earlier this week. Last night, the Foreign Office said it was "following up" the case with the German authorities through the British embassy in Bonn. In Moscow, a spokesman for the Russian external intelligence service denied the material originated from Russia.

However, Mr Wilhelm Gmelin, director of the EU Commission's Euratom Safeguards non-proliferation agency, said: "The data we have, suggests it is highly probable the material was manufactured at a Russian military site."

He added: "Every bit of material has its own characteristics and in this case the characteristics show that it was produced at three possible sites in Russia."

US scientists, who together with police and western intelligence agencies have beeo monitoring the case, believe the material may have been smuggled out of the Kurchatov Atomic Energy Research Institute in Moscow or from a research site known as Sverdlovsk 44 in the Urals.

The German investigation is understood to have discovered unconfirmed intelligence that the seized material may have been on its way through a circuitous route to Iraq.

US launches massive Rwanda aid operation

Continued from Page 1

Polluted drinking water there is believed to be responsible for the outbreak of cbolera which, Mr Clinton said, was now claiming "one life every minute". The Pentagon would also provide 20m rehydration therapy packages for the refugees.

The US State Department was urging the United Nations to deploy a full peace keeping mission to Rwanda immediately, Mr Clinton said, adding that the US would make the formation of an "ethnically and politically balanced" government in Rwanda a condition of US diplomatic recognition.

The US president said the operation would cost "in excess of $100m" (£64.5m) and involve the deployment of a "moderate" number of US armed forces. A White House official said about 1,000 US troops drawn from Nato would take part in the relief operation.

● Launching a $434m appeal for humanitarian aid for Rwanda yesterday, Mr Boutros Boutros Ghali, UN secretary-general, said in New York that nearly half the 7m population had fled their homes. Ha said the Security Council would be called into session within the oext few days to establish a tribunal to try to punish those responsihla for massacres in Rwanda.

● France yesterday ruled out keeping its troops io Rwanda beyond its seif-imposed deadline of August 21, despite pressure from the US and the Uoited Nations for Paris to extend its humanitarian mission there.

Drug group 'quitting Italy for Germany'

By Paul Abrahams

Menarini, Italy's largest domestic drugs group, said yesterday it intended to transfer all manufacturing from Italy to Germany, as a protest against proposed government-imposed price cuts.

The company flamboyantly revealed its threat by taking full-page advertisements in the Italian national press.

The disclosure was timed to coincide with a meeting of the Italian cabinet in Rome to discuss additional healthcare reforms. These could includa drug price cuts of at least 6.5 per cent, although the health ministry is calling for a 10 per cent reduction.

"With this [proposed] prica structure, the lowest in Europe, we have no chance of remaining competitiva in Italy and so we are going," said Mr Lucia Aleotti, managing director. "I think other Italian companies will be forced to close or move."

Menarini said it was in negotiations with Italian unions about possible redundancies. The company employs nearly 3,000 people in Italy. Trade unions were angered hy the newspaper announcement, and promised a national strike in protest. They recognised Italian domestic phamarceutical companies were being squeezed, but felt the company was not giving the full reasons for seeking to switch production. A consumers group threateoed legal action against Menarini demanding it return government subsidies.

The group already has production facilities in Germany as part of efforts to reduce dependency on the Italian market. In 1992, it acquired Berlin Chemie, east Germany's biggest drugs maker.

Mr Aleotti blamed the decision on a series of healthcare reforms introduced in Jannary by the Italian government which is grappling with a huge pnhlic sector deficit. The government plans to cut drugs spending from L13,000bn (£5.4bn) in 1993 to L10,000bn this year.

The reforms were also introduced after the sector was shaken by a scandal involving payments to government officials in exchange for certain drugs to be reimbursed by the state. Charges of hribery were hrought against Mr Alberto Aleotti, Menarini's chief executive and chairman. He vigorously denied the accusations.

Halifax and Allied Dunbar to join new regulator

By Alison Smith

Halifax Bnilding Society and Allied Dunbar – the last significant organisations whose support for the Personal Investment Authority was in doubt – yesterday announced that they would sign up for the new regulator.

The news is a boost for the PIA, which has heen the subject of intense controversy in the financial services industry. It began operations this week, replacing the existing regulators in a move intended to improve investor protection.

Despite the list of financial services companies which bave expressed opposition to aspects of the regulatory change over the past few months, the move leaves Prudential Corporation, the UK's largest life insurer, as the only large organisation to have insisted on its right to be regulated directly hy the Securities and Investments Board, the chief City watchdog.

Statements from Halifax and Allied Dunbar sbow they still bave serious doohts aboot tbe PIA's likely effectiveness, despite their applications to join.

Mr Mike Blackhurn, Halifax chief executive, said the debate abont whether the current system could deliver high standards of investor protection would continne. "For so long as it remains", however, the society believed that the PIA wonld stand a better chance of reaching the necessary standards with the support of Halifax.

Mr George Greener, chief execntive of BAT's UK financial services operations, which include Allied Dunbar and the other subsidiary Eagle Star, said the companies were joining becanse there was more chances of infloencing it from within. While be still had grave concerns about tha structure and resources of the PIA, "we are where we are," he said.

While tbe PIA was careful yesterday to say only that it was treating the applications like any others, it will have been relieved to receive them.

Had Halifax or Allied Dunbar followed Prudential's announcement of its refusal to join the PIA in March, then the balance of the debate within the industry could have turned against the new regulator.

C&G leads on profit per customer, Page 4

Mercury loses battle over BT's charges

Continued from Page 1

judicial interference. The decision to seek legal redress reflected Mercury's frustration at its inability to persuade Oftel to change the regulatory system in its favour. In recent months it has launched a streouous campaign in the courts, the media and with MPs to bring pressure to bear on Mr Cruickshank.

However, it has yet to achieve any success. Mr Cruickshank described recent Mercury claims as "shrill and unnecessary".

Oftel is reviewing aspects of the current interconnection regime, and will publish a consultation paper in the autumn. In addition to capacity-based charging, Mercury is seeking to secure abolition of the special payments it has to pay BT as compensation for the losses BT makes on its local network.

Mercury describes the payments as a "tax on competition", a charge strongly denied by both Oftel and BT.

THE LEX COLUMN

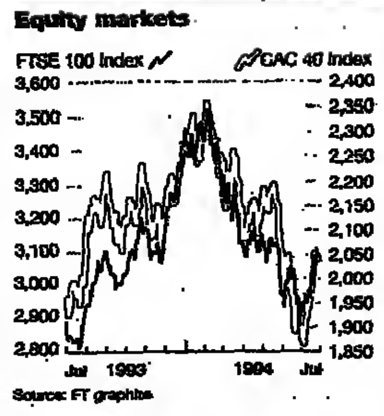
The sunlit uplands

Yesterday's clutch of data had the market purring again about the golden scenario for the UK economy. Despite the widespread fears in anticipation of the event, April's tax rises appear to have done little to check the economy's progress. With year-on-year growth running at 3.3 per cent, total output is now 1.2 per cent above its peak of four years ago. It still appears that the output gap is narrowing only gradually. If so, that suggests the UK is capahle of a sustained apell of above-trend growth without igniting inflation.

Such pleasant thoughts wafted the FT-SE 100 index 1.2 per cent higher this week. Ever-improving prospects for earnings and dividends on the back of the rebounding economy are continuing to drive equities. With a running yield of 4.3 per cent remaining less than 1 percentage point below base rates, the market still appears relatively cheap. But, as ever, it will be gilts that determine equities' ultimate fate. That is where the doubts arise. The latest published musings of Eddie George and Kenneth Clarke suggest they are ready to pre-empt the first whiff of inflation by raising short term rates. Whether that calms or alarms the long end of the gilts market will be the critical test of the stock market's nerve.

It would indeed be good news for equities if short term rates were to rise and long rates subside later this year. A flatter yield curve would squeeze consumer spending while encouraging investment. But the recent experience of the US bond market suggests it would be dangerous to anticipate as much.

FT-SE Index: 3114.7 (+19.6)



Source: FT graphite

France

The economic news emerging from France will keep husiness leaders happy on their annual migration to the beach. May's strong industrial production figures are evidence of a broadening and accelerating recovery. Mr Edmond Alphandéry, the economy minister, suggests French GDP growth might rise to 2 per cent this year compared with the government's previous forecast of 1.4 per cent. That is clearly good news for corporate France. The bounce in the CAC 40 in July reflects as much.

But global investment flows will be just as critical for the direction of the Paris bourse. Even though the UK and French economies have been out of synch, it is significant that their stock markets have moved closely in line, as the accompanying chart shows. Like the UK, worries about the pace of recovery have unnerved international bond investors. With long bond yields in France rising to 7.3 per cent and inflation falling to 1.5 per cent, the economy may be squeezed again. The French room for manoeuvre on short term rates has been stymied by the Bundesbank's latest moves.

Those high real interest rates may also point to a developing struggle for capital between private and public sectors. With unemployment remaining stubbornly high, tha government's budget deficit can not be quickly cut. Political uncertainty ahead of next year's presidential elections will add an extra element of uncertainty. The French air traffic controllers' strika – disrupting the holiday migration – may presage unrest to come.

Stores

UK retailers like to believe they are the best in the world. The market clearly does not think the same. The mere threat of the US DIY chain, Home Depot, opening stores in the UK has caused something of a panic this week. It is easy to understand why. In its short history, Home Depot has been a highly aggressive operator. Its execution of everyday low pricing leaves UK imitators, such as B&Q, trailing in its wake. As yet, the threat appears remote; Home Depot will not quickly open stores across the country, but the UK DIY market is precariously balanced.

If it did establish itself, Home Depot would throw grit into the main engine of Kingfisher's growth. B&Q accounts for about a quarter of its profits. Ladbroke's Texas chain could also be badly squeezed. But Boots and W H Smith, which together run the lacklustre Do It All chain, would appear to have the biggest problem. There is a need for further rationalisation in the mature industry even without Home Depot. There must be a suspicion that J. Sainsbury, which runs the small but perfectly-formed Homebase chain, may eventually be tempted to have a go.

Overseas entrants threaten to step up the competition in many other UK retail sectors, providing another reason to believe that some domestic retailers will struggle to grow. With consumer spending muted and inflation low, that makes it all the harder to understand why so many stores groups trade on the same multiples as they did back in their glory days.

UK banks

Three influences look set to dominate the clearing bank interim results season which kicks off with Lloyds Bank next week. Loan demand has stayed weak and the turmoil in the bond markets has depressed trading income. Those two factors will make for a lacklustre performance at the operating level. But thanks to the accelerating economic recovery, provisions will have fallen rapidly, perhaps on average by around a third from their collective level of £2.4bn in the first half of last year.

That will ensure a bounce in earnings and a substantial improvement in capital ratios. Even National Westminster could see its tier one ratio rising above 8 per cent. The generally accepted assumption is that the banks will use the opportunity to pay generous dividend increases. After all, surplus capital is a burden if there is little balance sheet growth. It might be better to pay some of it back rather than squander resources on a price war that currently promises little by way of volume growth.

The dividend decision is a delicate one, just the same. While fears of margin erosion due to price cutting are probably overdone for the present there will certainly be a fierce battle for market share once loan demand does eventually pick up. History shows this tends to happen at a later stage of recovery. Then banks will find their profits squeezed as they sacrifice return for volume. It will be awkward if they have meanwhile set dividends so high that retained earnings are insufficient to finance balance sheet growth.

FT WEATHER GUIDE

British Isles

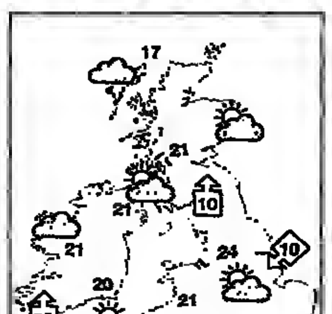
The UK and much of Ireland will continue calm because of high pressure over the North Sea. However, the sunshine will occasionally be interrupted by bands of cloud in southern England and in the Midlands. Sunny periods will be longest and most frequent in western Wales and in south-west Ireland. In northern and western Scotland, there may be fleeting showers. Temperatures will exceed 25C in south-east England, and stay above 20C in Scotland and Ireland.

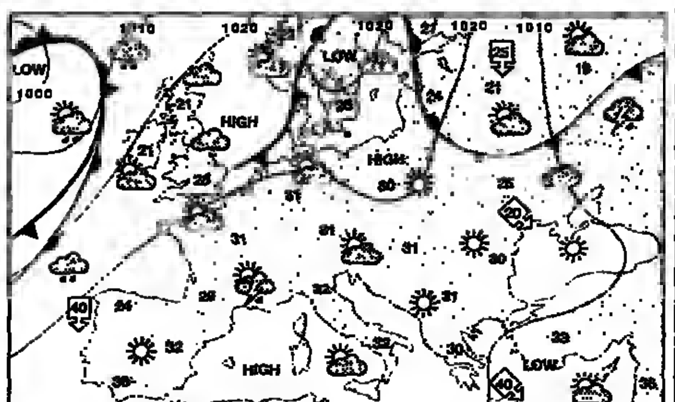
Continent

It will remain warm throughout much of western Europe. Temperatures should reach 30C in Germany, the Low Countries, and virtually all of France. Searing heat will be confined to Spain, where it will be about 40C in the south. In central Europe, high pressure will bring plenty of sunshine and above normal temperatures. In the Balkans, tha heat and humidity will lead to some heavy thundery showers, specifically in Bosnia and northern Greece.

Five-day forecast

There will be littla change on Sunday, though rain will move into Ireland and western Scotland. From Monday, a very warm air mass will move north from Spain to France and into Germany, lifting temperatures to around 30C or 35C. The heat will not abate before Wednesday.





Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum C	F			C	F			C	F			C	F
Abu Dhabi	sun	38	101	Cape Town	fair	13	56	Jakarta	fair	31	88	Munich	sun	29	84
Accra	cloudy	27	81	Caracas	cloudy	28	83	Jersey	sun	22	72	Nairobi	fair	22	72
Algiers	sun	34	93	Cardiff	sun	23	74	Karachi	cloudy	30	86	Naples	sun	32	90
Amsterdam	sun	29	84	Casablanca	fair	29	84	Kuwait	sun	44	111	Nassau	shower	31	88
Athens	fair	32	90	Chicago	thund	29	84	L. Angeles	fair	25	77	New York	thund	29	84
Atlanta	thund	33	92	Cologne	fair	31	88	Las Palmas	fair	28	83	Nice	fair	29	84
B. Aires	shower	12	54	Dakar	cloudy	30	86	Lima	cloudy	18	66	Nicosia	sun	35	95
B.ham	cloudy	26	79	Dallas	sun	38	101	Lisbon	sun	29	84	Oslo	fair	25	77
Bangkok	cloudy	35	95	Delhi	rain	33	92	London	fair	28	83	Paris	fair	32	90
Barcelona	sun	28	83	Dubai	sun	37	99	Lux.bourg	fair	30	86	Perth	shower	18	65
Beijing	cloudy	32	90	Dublin	fair	20	68	Lyon	thund	31	88	Prague	sun	30	86
Belfast	fair	21	70	Dubrovnik	thund	31	88	Madeira	fair	25	77	Rangoon	rain	29	84
Belgrade	shower	29	84	Edinburgh	fair	21	70	Madrid	sun	35	95	Reykjavik	fair	14	57
Berlin	sun	31	88	Faro	sun	31	88	Majorca	sun	31	88	Rio	fair	24	75
Bermuda	cloudy	29	84	Frankfurt	fair	32	90	Malta	sun	30	86	Rome	sun	32	90
Bogota	shower	29	84	Geneva	thund	28	83	Manchester	fair	24	75	S. Frsco	fair	23	74
Bombay	rain	29	84	Gibraltar	sun	31	88	Manila	shower	31	88	Seoul	fair	33	92
Brussels	sun	30	86	Glasgow	fair	21	70	Melbourne	fair	14	57	Singapore	cloudy	32	90
Budapest	sun	31	88	Hamburg	sun	30	86	Mexico City	shower	20	68	Stockholm	sun	28	83
C.hagen	sun	26	79	Helsinki	sun	24	75	Miami	thund	32	90	Strasbourg	fair	31	88
Cairo	sun	39	102	Hong Kong	thund	29	84	Milan	fair	31	88	Sydney	shower	15	59
				Honolulu	cloudy	31	88	Montreal	fair	27	81	Tangier	sun	32	90
				Istanbul	sun	30	86	Moscow	shower	19	66	Tel Aviv	sun	34	93
												Tokyo	rain	30	86
												Toronto	fair	28	83
												Vancouver	fair	26	79
												Venice	sun	30	86
												Vienna	sun	30	86
												Warsaw	sun	29	84
												Washington	thund	31	88
												Wellington	shower	11	52
												Winnipeg	shower	23	74
												Zurich	shower	27	81

Weekend FT

SECTION II Weekend July 23/July 24 1994

An Old Lady with new battles to face

*As the Bank of England celebrates its tercentenary, **John Plender** considers its past links with the finance of war and speculates on its future*

Are central bankers a good thing? A simple enough question, you might think, as the 300th birthday of the Old Lady of Threadneedle Street approaches. Yet, from the beginning, when the Bank of England's charter was sealed on July 27 1694, the debate has never failed to excite powerful passions.

Within a year, a pamphleteer was declaring that the competition provided by this fledgling institution had "almost crush'd several sorts of Blood-suckers, mere Vermin, Usurers and Gripers, Goldsmiths, Tally-Jobbers, Exchequer Brokers and Knavish Money-Scriveners, and Pawn-Brokers, with their Twenty and Thirty per cent".

Then, as the charter renewal of 1709 loomed, another polemicist busily penned a tract entitled *Some Considerations against the Continuance of the Bank of England.* At 300 years' distance we can safely say that he failed to win the argument. And, of course, the concept of central banking, embracing the goal of price stability and the role of lender of last resort to the banking system, was unknown to people of the late 17th century.

In the 20th century the reputation of central bankers has waxed and waned – or, more accurately, waned and waxed. The Bank of England's heyday was in the four decades that preceded the first world war. Sterling was pre-eminent in a monetary system pegged to gold and the City of London financed the lion's share of world trade.

Then came Montagu Norman, whose autocratic reign as governor of the Bank from 1920 to 1944 incorporated the ill-fated return to the gold standard and the Depression.

It was Norman's financial orthodoxy, and his opposition to Keynesian demand management in the 1930s, that gave central banking in Britain a bad name. Elsewhere, central bankerly conservatism was attracting similar opprobrium. Politicians sought to assert greater control over the dangerous and misguided people who brought us the slump.

Murder! Rape! Ravishment! Ruin! was the caption on the celebrated Gillray cartoon of the Old Lady being wooed by William Pitt for her money. Where Pitt failed, the Labour chancellor Sir Stafford Cripps succeeded. In 1946 the Old Lady was not only raped, but subjected to the indignity of becoming a nationalised industry.

Political economy has since experienced a mood swing. There is a new orthodoxy, and it states that while central bankers have been bad, politicians have been worse. Having taken over much of the central bankers' job, they created a devastating inflation that destroyed savings, distorted incentives and imposed a hidden tax on the people. And they have proved incapable of maintaining a stable international exchange rate regime.

In the first 250 years of the Bank of England's existence, inflation was largely associated with the financial stresses of war. Indeed, the Bank of England's initial *raison d'être* was to provide money for William of Orange's battle against the French and to tidy up the mess of unfunded public debt that remained after the three Anglo-Dutch wars.

War could always be financed on the basis that it was unlikely to go on for ever. Investors in government debt assumed that any deficit in the government's accounts would be temporary and would ultimately be made good. The striking feature of the surge in the general price level that came after 1945 is that it was the first great peacetime inflation since the Bank came into existence. The technique of deficit financing was applied to the huge and very un-temporary apparatus of the modern welfare state.

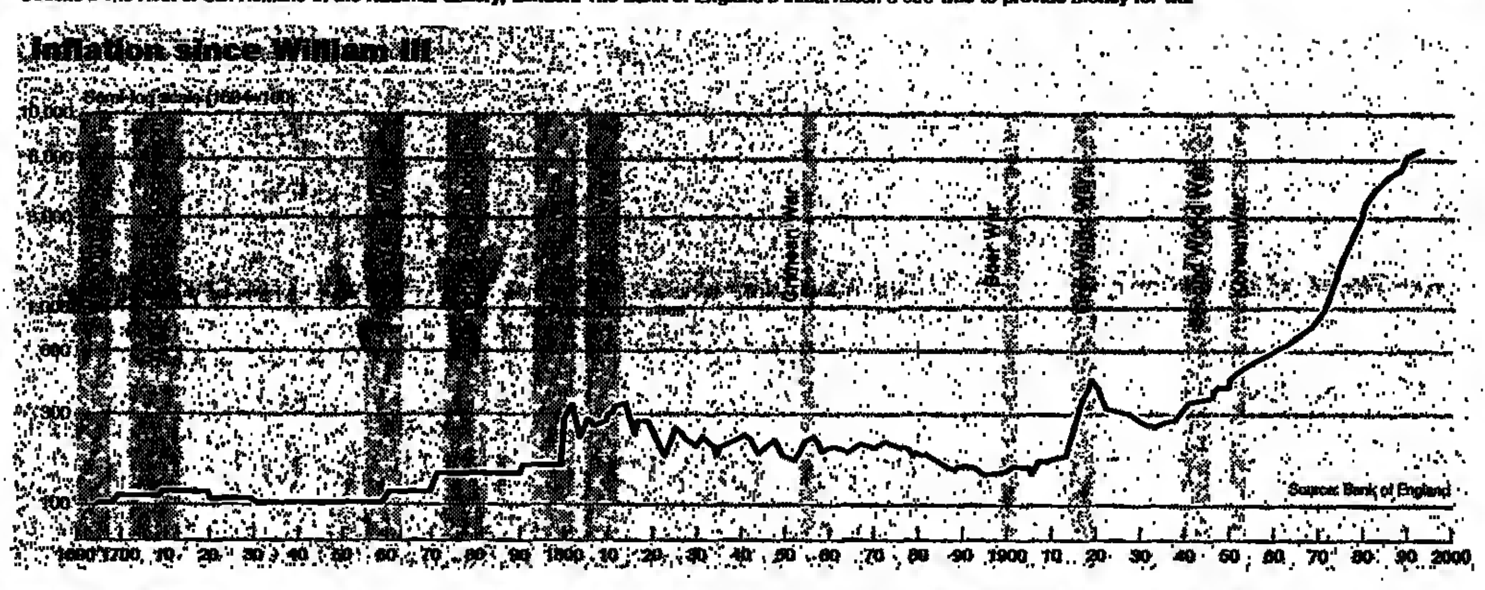
In the absence of a gold standard, or any other anchor for the monetary system, public sector deficits were not made good. They were monetised. In the vernacular, the government paid its bills by borrowing from the banking system, which is the modern equivalent of printing money. War Loan, the undated, archetypal government IOU, lost most of its value. Investors were swindled in a manner not seen since the Elizabethan period, as governments provided monetary accommodation not only for their own deficits, but for wage claims, oil shocks and the rest.

The result has been a relative revaluation of the central bankers' reputation. At a time when other nationalised industries have been privatised and downsized, more central banks have materialised in the global public sector. Their number has risen from 59 in 1950 to 161 at the start of this decade.

As Forrest Capie, Charles Goodhart and Norbert Schnadt put it in a monograph for the Bank of England tercentenary, which has been shamelessly plundered for parts of this article, "when a new nation state seeks to establish itself, the foundation of an independent central bank will be an early item on the agenda, slightly below the design of the flag, but above the establishment of a national airline".

Uccello's *The Rout of San Romano* in the National Gallery, London: The Bank of England's initial *raison d'être* was to provide money for war

Bridgeman Art Library



Meantime, the managers of established central banks have demanded, and in some cases achieved, independence from government – this is the great new economic nostrum of the day, for which officials at the Bank of England all too understandably yearn. And in the extraordinary case of Italy, central banking recently achieved its apotheosis. The head of the Banca d'Italia, Carlo Azeglio Ciampi, was elevated to the job of prime minister because no politician was deemed sufficiently credible.

The paradox here is that central bankers are flattered by the choice of comparison. They may be less corrupt than politicians. But their record, in those activities where they have retained freedom from the politicians, is at best patchy.

Many economists argue, for reasons that will be explored shortly, that central bankers are a threat to the taxpayer's health and should be dispensed with altogether. In practice, a place such as Hong Kong, where peopla enjoy higher per capita incomes than in the UK, has rubbed along remarkably well over the past four decades without the services of a formal central bank.

So the question is not merely whether central banks are a good thing, but whether they are so different from other commercial organisations that they are entitled to their exalted and protected status; and, more fundamentally, whether they are necessary at all.

The unique feature of the Bank of England, in 1694, was thet it was the only public bank in Europe with the power to issue notes. A unique feature of central banks today is that they usually have a monopoly of the note issue. Yet there are some theorists, most notably the late Friedrich Hayek, who believe that the issuing task should be privatised and that all commercial banks should have the freedom to issue their own notes. The anti-inflationary logic is the opposite of Gresham's law: good bank notes that held their value would, in Hayek's view, drive out the bad notes from banks that over-issued.

Scottish banks continue to issue

Continued on Page XX

CONTENTS

Long View/**Barry Riley**

Throgmorton throes

Last week the London Stock Exchange gained a new chairman, John Kemp-Welch. This week it made the switch to rolling settlement, initially over a leisurely 10 days, which is more like strolling settlement, but next year in five days and eventually just three. The venerable Throgmorton Street institution, for over 200 years a pillar of the City of London, along with the Lloyd's insurance market, is attempting to face the future: but does it *have* one?

The latest changes tell us something about the pressures upon the exchange. Rolling settlement is a response to the requirements of international institutional investors, who like to trade on a standardised basis, in roughly the American style. The interests of domestic private investors are therefore being sidelined; speculators who have been accustomed to dealing within the account are instantly inconvenienced and the general public will find it hard to adjust to three-day settlement, when that eventually comes.

John Kemp-Welch's appointment is also significant. He has just retired as joint senior partner of Cazenove, London's leading corporate broker. Cazenove does have wealthy private clients, but it has been best known over many years as a somewhat rough and tough promoter of the interests of its many corporate clients.

Sir Antony Hornby, a former senior partner, declared after a controversial 1960s dawn raid for a client company that equality among investors was an illusion. If someone decides more quickly, or has a better broker, this is not unfair.

It is hard to imagine that in the past a leading light of such an uncompromising if prestigious firm could have become chairman of the exchange, when it was seeking to fulfil a broad public interest mandate. The chairmen have tended instead to come from medium-sized firms, and from that more modest base have been better able to pursue consensus policies.

But a different argument now seems to apply. Cazenove is the only big independent firm which is fundamentally committed to the London market place (apart, perhaps, from the market maker Smith New Court).

Most of the other main firms are parts of global investment banking operations which can (and do) belong to markets all over the world. Without Cazenove the London Stock Exchange would have an even bigger identity crisis.

In its recent history, dominated by the consequences of the "Big Bang" changes of 1986, the London Stock Exchange has reflected the long-term strengths and weaknesses of the City. Entrepreneurial and outward-looking London-based firms have seized opportunities for the international trading of equities and bonds that sleepier and domestically-orianted Continental bourses have been slow to recognise.

Meanwhile the planning of the back office technology has often been poor, leading to disaster in early 1993 when the expensive Taurus paperless settlement system was abandoned. Responsibility for its replacement, the simpler Crest, has been snatched away by the Bank of England; if settlement, once a core activity, is to be controlled elsewhere, can any of the exchange's activities, from price dissemination to control of listings, be sacrosanct?

Originally, tha Stock Exchange thought electronic settlement was all about facilitating transactions, which of course is what its members make their living from. But the key issues have turned out to be those of *holding* rather than trading securities, and of maintaining contact between companies and shareholders. Taurus could not cope with the complex issues involved.

The rather less ambitious Crest will force others to make some of the choices. Crest could help drive a wedge between institutional and private investors, for instance, because small shareholdings will not be included except through nominee accounts. The latter, in turn, tend to drive a wedge between companies and their small shareholders, unless the nominee arrangements are carefully and expensively designed.

This underlines the possibility that the Stock Exchange will be torn between the global firms (with their international clients) and the small companies and private clients of the domestic market place. There are precedents in the American markets, where the New York Stock Exchange lists the big companies, and is increasingly seeking foreign company listings, while thousands of small US companies are traded on the quite separate Nasdaq system.

Certainly, the London Stock Exchange is a popular market. Hundreds of companies have sought listings in the past year or two, admittedly at a favourable time of the cycle.

To an extent, the market place will decide. Rival dealing systems are beginning to nibble at the central market. The power of the big London market makers, who were vastly profitable in last year's bull market, will be one of the biggest challenges for John Kemp-Welch. Money talks, and they have prospered mightily from the relatively opaque trading system, which makes it fairly easy to trade their way out of large positions. Investors, though, will tend to drift towards more transparent systems where they can find them.

Once, a lot of the problems could be solved within the framework of an effective monopoly over secondary share trading and a fixed commission structure. The holes could be plugged through cross-subsidisation.

Fierce international competition requires awkward decisions to be made, however. The exchange has already shed many of its activities, including private investor support and the professional regulation of market practitioners. The question, perhaps, is whether the viable core would still merit the nama London Stock Exchange. But unlike Lloyd's it has at least retained its dignity.

MARKETS

London

A week of bread and circuses

Roderick Oram

The Conservatives delivered bread and circuses this week, their first double act in a long time.

First came the Cabinet shuffle which elevated to party chairman Jeremy Hanley, a man promising livelier leadership. He is well qualified. A son of show-business parents and a one-time child screen star, he is known as a good communicator and raconteur.

His first party political pronouncement came but a day later. The Labour Party had elected Tony Blair leader "for his looks, not his policies." Catchier quips could come later from the pen of Hanley's new deputy, Michael Dobbs, a political novelist with the double-edged billing as a "second Jeffrey Archer".

Then yesterday came the bread. Gross domestic product grew by 0.9 per cent during the second quarter, its fastest rate since the recovery began in the spring of 1992. Output is now 1.2 per cent above the pre-recession peak of four years ago. News earlier in the week of favourable consumer spending and government borrowing figures were butter and jam.

With a strengthening dollar helping to stabilise European bond markets, gilts and equities savoured the good news. The FT-SE 100 index of the 100 largest UK companies rose four out of five days to end the week up a net 39.9 points at 3,114.7. The Footsie yesterday broke through the important resistance level of 3,100 and held the high ground.

Many in the market gleaned a degree of confidence in calmer medium-term trading from the comments of three central bankers. Alan Greenspan, of the US Federal Reserve Bank, and Eddie George, governor of the Bank of England, indicated that US and UK interest rates would have to rise later but not now to check inflation. Hans Tietmeyer, Bundesbank president, left open the possibility of German rate cuts later this year.

George, in the minutes of his June 8 meeting with Chancellor Clarke released this week, indicated he was watching three main indicators of when price pressures would demand a rate increase: the rate of monetary growth; inflationary expectations; and cost increases particularly of labour. Monetary growth is "uncomfortably high" with the volume of cash and notes in circulation running 8.1 per cent higher over the last three months than a year earlier. The other two indicators are favourable.

But one other set of figures has been disquieting. Industrial raw material prices are running at an annual rate of about 10 per cent while the companies' output prices are only edging ahead at the general inflation level of just over 2 per cent. Surely margins, profits and dividends must be under pressure? If they are, how can the market be looking for further growth in earnings to fuel the next rally?

S G Warburg Securities points out that profit margins were under equally dramatic pressure in late 1992 and early 1993. Raw material prices rose as sterling fell following departure from the ERM yet earnings per share rose substantially last year.

One explanation is that raw materials are typically only a third of total costs while labour costs, which have been much more subdued, account for a far higher share. Moreover other costs, notably of money, have fallen sharply.

Some sectors, such as paper and packaging, have enjoyed improved margins thanks to better trading conditions as witnessed by the results of David S Smith Holdings this week. Pre-tax profits for the year to April were up 56 per cent to £42.2m.

But the main story behind most margin improvements continues to be cost reductions and corporate restructuring, Warburg argues. It forecasts further widening of margins for the Footsie companies, as the chart shows. From a recent low of 13.3 per cent in the financial year 1991-92, it estimates a margin of 15.38 per cent this fiscal year and 15.8 per cent next year.

It identifies a mixed bunch of companies offering the best margin growth next year relative to their average 1989-93 margins. They range from newly-privatised utilities such as National Power (up 41 per cent) and Eastern Electric (up 38 per cent) with plenty of scope to cut costs, to corporate restructuring cases such as ICI (up 47 per cent) and British Aerospace (up 233 per cent).

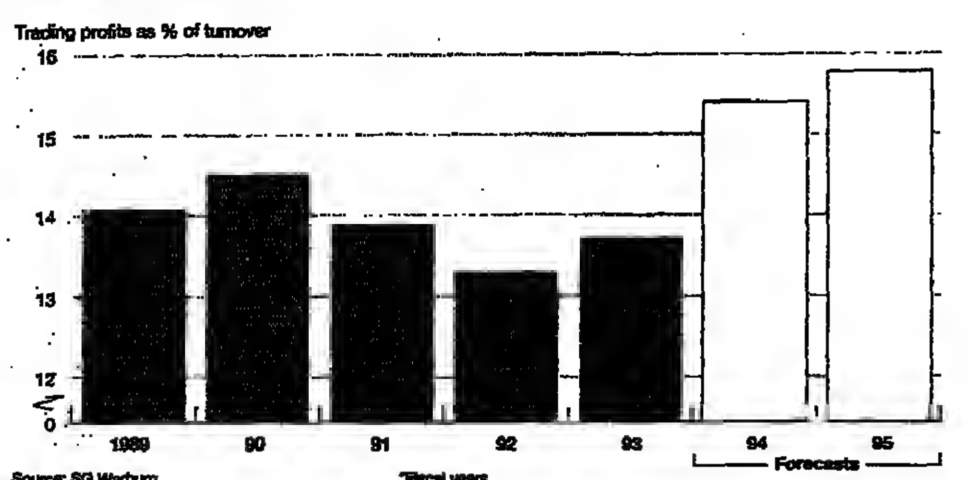
The worst performers are equally mixed. Mature utilities facing increasing competition and the tightening of regulatory screws are among the weaker stocks. British Telecommunications' 1995 margin is forecast to fall 13 per cent from its 1989-93 average while British Gas's will drop 11 per cent.

Consumer stocks are some of the most adversely affected given the tough pricing environment in which they operate. Food manufacturers and retailers are particularly vulnerable. Shoprite, a Scottish discount grocer far too small to be a Footsie stock on Warburg's list, testified to the trauma on Thursday. Its second profits warning in two months halved its share price to 30p. It had peaked in February at 243p. It has cut its costs and stabilised its margins but it cannot genarate adequate turnover.

One Footise retailer Warburg does identify is Argyll Group, the Safeway supermarket chain. It forecasts Argyll's margin will be 8 per cent lower next year than the group's five-year average. The trading news from Argyll this week was more positive than that. Sir Alistair Grant, its chairman, told the agm that first quarter like-for-lika sales and pre-tax profits were ahead of last year's. Similarly, Sir Christopher Benson, at Boots agm, could speak of better sales in all divisions except DIY.

Shareholders at neither agm were happy. Complaints from them about the impressive bread executives had made turned both meetings into a bit of a circus.

FT-SE 100 margins



Source: SG Warburg

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1994 High	1994 Low	
FT-SE 100 Index	3114.7	+39.9	3520.3	2876.6	Dollar improvement
FT-SE Mid 250 Index	3630.9	+79.6	4152.8	3363.4	Capital goods stocks bought
British Aerospace	512	+19	584	390	Switch from Rolls-Royce
Celltech	211	+19	233	191	Merck collaboration
Courtaulds	530	+20	580	467	Well-received agm
Kingfisher	509	-25	778	477	Competition concerns
Mirror Group	140	-12	203	123	Smith New Court downgrade
National Express	330	+26	330	245	E Mid airport traffic figs
Royal Insurance	263	+16	350	232½	Credit Lyonnais recommends
Shell Transport	742	+32	755	651	Billiton sale hopes
Smith (David S)	547	+24	573	398	Better than expected figures
3i	291	+19*	295	280	Successful flotation
Tomkins	232	+8	283	213	Broker's recommendations
VSEL	895	+37	1093	616	Likely demise of Swan Hunter

* Change based on issue price

Serious Money

Advisers who want their cake up front

Gillian O'Connor, personal finance editor

What is worrying about the life insurance industry is not just its faults but its attitude. The most obvious faults are failure to train or check up on sales staff.

Barclays and Nationwide are the two latest big names to be damned for bad training of sales staff – the very problem thet earlier caused Norwich Union to pull all its salesmen off the streets and put them back in the classroom. Lack of proper control systems was the sin at Legal and General and Cornhill.

Bad, but not really that surprising: the criticisms merely confirm what the public had suspected already. And perhaps the companies will repent and amend their ways.

More disquieting is a recent survey by Sun Life asking independent financial advisers what commission structure they would like in future – ie, when disclosure becomes compulsory in January. It is hard to believe that the public will continue happily to buy life insurance when they realise quite how big the commission bite is, particularly at the start of a policy.

Outsiders had predicted that fear of the public reaction to disclosure would prompt companies to spread commissions more evenly over the policy period. Hence Sun Life's tentative survey suggestion that the advisers might like to give customers a better deal by handing some or all of the customary commission back – or, at least, spread it over a longer period. No dice.

More than 90 per cent of the independent advisers polled said they would still like to get the same money, thank you. And more than half of that 90 per cent want to stick to the present system – whereby they get the vast majority of their money at the time they clinch the sale – rather than spreading commissions more evenly over the life of the policy.

Sun Life, for its part, disclaims any intention of trying to force a change in commission structures. It reckons the decision is up to the advisers, since they are the ones who will have to sell the policies. No worries about what will happen if they fail. Impotence or complacency run mad?

"Quem Jupiter vult perdere, dementat prius."

□□□

First catch your phoenix. Extraordinarily good fund managers, such as Warren Buffett and Peter Lynch, do exist. But they are very rare and very hard to identify without hindsight. So, why not abandon the futile search and settle for something that is attainable – an index fund?

This is one of the main messages of a splendid American book called *Bogle on Mutual Funds**. (These are the US equivalent of unit trusts). And what is so disarming about this particular messenger is that the anthor, John Bogle, runs a £100bn mutual fund business called Vanguard, renowned for its rock-bottom management fees.

Index funds, also known as tracker funds or passive investment funds, follow a particular stock market index – such as tha FT-SE-A All-Share index – by investing in a bunch of shares selected statistically to mimic the index, rather than beat it.

Mimicking the index sounds a distinctly wimpish ambition. Surely real fund managers beat indexes – or die in the attempt?

The trouble is that most fail but soldier on. If you take account of costs, only one in five funds beat the market, says Bogle. And "...it is *certain* that passive investment strategies have, will, and must, outperform active investment strategies in the aggregate".

So, why are index funds still in a minority? Three reasons. First, indexing is counterintuitive: most people feel safer in a train with a driver.

Second, investment advisers and managers make less from index funds than from actively managed funds; commissions and charges are lower. Third, hope springs eternal. Fortunate investors brag about their success; othars envy and attempt to emulate.

If you are humble enough to settle for an index fund, which should you choose? Even low charges make a slight dent in performance and mean that all index funds are likely to do slightly worse than the index they mimic. But go for the index fund with the lowest expense ratio, and never pick one with a front-end charge, says Bogle.

The only UK tracker fund with no initial charge is Gartmore UK, which also has an annual charge of only 0.5 per cent. It has a good and consistent performance record.

□□□

The new issue market has flickered back into life. Both venture capital group 3i and money broker Exco started trading at modest premiums - ie, the price in the stock market after normal dealings started was more than the launch price.

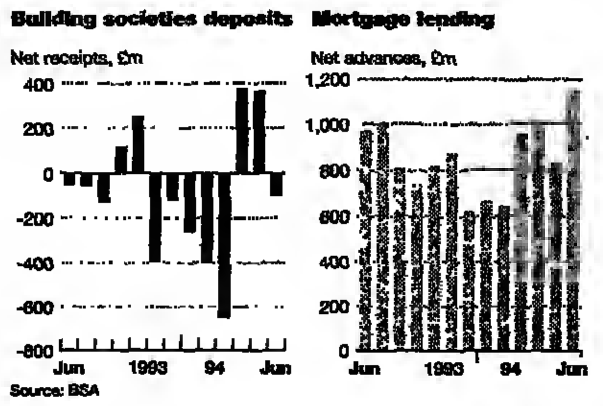
That should not encourage stags to come out of hibernation, though. Most company sponsors aim for a modest premium. And both 3i and Exco were priced when the market was groggy, so the pricing was not ambitious.

3i at least, always looked bound to appeal to large investing institutions, while Exco has its own groupies. And, of course, the whole stock market has picked up a bit recently. But that is no reason to say "yes" to the next tinpot outfit that passes the hat round.

**Bogle on Mutual Funds, by John C. Bogle. Irwin Professional Publishing, New York; £20.95.*

AT A GLANCE

Finance and the Family Index



Source: BSA

Outflow of retail funds from building societies

Building societies experienced an outflow of retail funds last month after two months of net inflows, indicating that savers are either spending their money or putting it into other investments. Net outflows amounted to £104m according to the Building Societies' Association.

At the same time, new mortgage lending rose sharply last month to reach its highest level for almost two years. Net new lending totalled £1.14bn in June, an increase of 38 per cent on May, and higher than the £976m recorded in June last year. Adrian Coles, director-general of the BSA, said that while the figures suggested a more positive view of the housing market than others recently published, the market continued to be uncertain.

Inland Revenue's pledge

Slow service from the Inland Revenue should become a thing of the past if new targets are met. The IR's tax and collection offices have announced their intention to deal with every aspect of people's tax affairs correctly first time; answer telephone calls in 30 seconds; deal with repayment claims within 42 days during the peak period from April to September, and within 28 days at other times. Offices should be open for telephone calls and visitors at least 40 hours a week. Existing targets include replying to correspondence within 28 days, and attending to callers at tax inquiry centres within 15 minutes.

Tax breaks explained

New tax breaks for investing in start-up companies are explained in a guide to the Enterprise Investment Scheme, published this week by the Department of Trade and Industry.

The EIS was introduced in the last budget as a successor to the Business Expansion Schema (BES), which gave investors substantial tax relief for investing in start-up businesses. Rules for the EIS differ from the BES in a number of aspects.

Copies of the guide can be obtained free from the DTI Small Firms Publications, PO Box 1143, London, W3 8EQ. Tel: 081-896 2116.

Smaller company shares perk up

Smaller company shares perked up a little this week. The Hoare Govett Smaller Companies Index (capital gains version) climbed 1.4 per cent to 1638.96 over the week to July 21, after a smaller rise the previous week.

Next week's finance and the family

The peak buying season for new cars starts in just over a week, with the arrival of M-registration plates. We guide you through the different ways of paying for and insuring your new car.

Wall Street

Soaring earnings fail to impress investors

These are frustrating times for many publicly-quoted US companies. They have done what Wall Street wanted: cut costs, revamped their operations and management structures, adopted new business strategies and delivered strong earnings growth. Yet, still the stock market is unsatisfied.

Take Intel, for example. Earlier this week, the computer chip manufacturer announced second-quarter profits of $640m achieved on 30 per cent revenua growth. Although it was the company's second consecutive record quarter, and it was bang in line with analysts' forecasts, the performance failed to impress investors, who sold Intel's share price down almost $2 to $57.

Compaq suffered a similar fate. Its share price fell $1¾ to $31½ on Wednesday even though the compnter group reported a 53 per cent surge in second-quarter sales and earnings that were double the previous year's at $210m.

Another victim of the seemingly capricious market was the California software developer Sybase, which watched its share price plunge $8¾, or 18 per cent, to $39¾ following the announcement of second-quarter earnings that were sharply higher than a year ago and above analysts' expectations.

The selling was not confined to computer companies. Aerospace group United Technologies reported a 32 per cent increase in profits that matched all but the most optimistic of forecasts – but its shares fell almost $4 to $62½.

There were other examples this week of stocks falling in spite of atrong quarterly results bnt, in almost each instance, the reason for the apparently surprising decline was the same: while the second-qnarter looked good, investors did not like what they saw ahead.

In Intel's case, it was concern about long-term demand for personal computers that brought the stock down, while Compaq's shares fell because investors believed that an increase in inventories during the secoad quarter was a warning that sales were beginning to slow down. Sybase shares tumbled because the market was worried about a possible easing off in the sales growth of its core database products, and United Technologies suffered from signs of moderate sales weakness in two of its divisions.

Admittedly, there is nothing new in this type of reaction – the most basic theory of investing says that earnings news is always old news, and that share prices should be driven more by expectations of future, not announcements of past, performance. But investors seem to have been especially harsh on stocks in this reporting season.

The most likely explanation is a broader underlying current of concern about the economy as a whole. Although it has been growing more rapidly than expected this year, most Wall Street analysts believe it will slow down in the second half and beyond as the impact of higher interest rates begins to bite. And if economic growth is about to slow, that means sales of computers, cars, wasbing machines, and much more, are likely to do the same, spelling bad news for US companies.

Yet, the fear that economic growth is going to slacken does not necessarily have to be an entirely negative influence on share prices. The stock market has had a difficult 1994, mostly because of the sharp, and unanticipated, rise in long-term interest rates since early February. Rates bave been climbing steadily from historic lows because the bond market is worried that tbe rapidly-expanding economy will lead to higher inflation.

If, bowever, economic growth is about to slow down, anxiety about inflation should begin to ease, allowing interest rates to come down and share prices to go up.

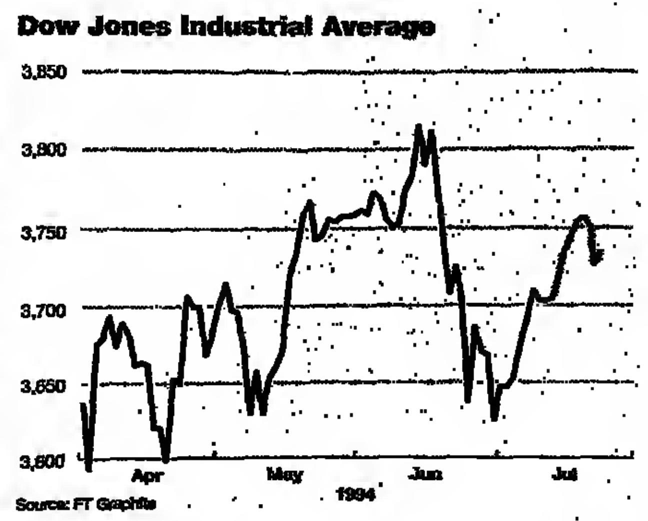
The bullish stock market forecasters on Wall Street who are predicting modest, low-inflation economic growth and a second-half rally in stocks substantial enough to push the Dow Jones Industrial Average over 4,000 for the first time, certainly believe in this rosy scenario. The only problem is, their confidence is not shared by the person that matters most – Federal Reserve chairman Alan Greenspan.

Giving his semi-annual Humphrey-Hawkins testimony before Congress this week, Greenspan said he remained concerned about rising prices (particularly in view of the recent decline in the dollar against the yen and D-mark), and warned that further increases in short-term interest rates might be required.

The warning was enough to knock almost a full point off the price of a 30-year Treasury bond and 20 points off the Dow. Greenspan's threat of higher rates also is likely to keep a lid on share prices for the rest of the summer, no matter how good quarterly earnings prove to be.

Patrick Harverson

Dow Jones Industrial Average



Source: FT Graphite

Monday	3755.43	+	01.62
Tuesday	3748.31	–	07.12
Wednesday	3727.27	–	21.04
Thursday	3742.45	+	05.18
Friday			

Bottom Line

A welcome from investors

John Robb, Wellcome's suave Scottish chairman and chief executive, claims he is not overly concerned about his company's share price which has more than halved since 1992.

"I've given up complaining about it," be insisted unconvincingly on Thursday as he explained the group's latest results. He then spent five minutes lamenting that the company was undervalued.

Still, Robb should be pleased with the reaction to this week's results. In March last year, when he announced a 33 per cent rise in pre-tax profits, he watched his share price plummet 97p in two days. Since this week's announcement of a 12 per cent rise in pre-tax profits to £182m for the four months to June 30, the shares actually climbed – up 19p to 634p.

The reasons for the shares' rise were not hard to fathom. Wellcome's underlying sales growth was impressive given a difficult environment.

Sales of Zovirax, Wellcome's anti-herpes drug and the world's fourth best-selling medicine, rose 17 per cent. Growth in the US was 27 per cent. And European sales were up 9 per cent, in spite of price cuts in Italy and France.

The question is wbether Robb can sustain above-average growth. Even in the short-term, 27 per cent Zovirax growtb in the US is clearly unsustainable. Robb said his objective was continued double-digit growth. The main threats to that goal are all directed at Zovirax, by far and away his biggest product.

The first threat is from SmithKline Beecham, the Anglo-American healthcare group, which is in the process of rolling out Famvir, the first direct competitor to Zovirax. The company has already launched it in the UK and is about to challenge Zovirax in the US.

"Famvir doesn't keep me awake at 3 o'clock in the morning," said Robb. Dr David Barry, Wellcome's newly-appointed director of research, development and medical, pointed to the details on Famvir's US package insert, describing tbe effectiveness and risks associated with the drug.

Rather than Famvir, the biggest threat to Zovirax is its patent position. Its patents in Germany have already expired, and those in the US and UK end in 1997.

Robb admits he cannot duck this. But he has a defenca strategy in place. The first element is a joint-venture with Warner-Lambert, one of the most powerful US non-prescription medicines groups, to market tbe product over the counter. This should significantly extend Zovirax's product life, generating additional revenues, admittedly at a lower margin than in the prescription market.

In addition, this month, Wellcome filed the regulatory dossiers in 19 countries for Valtrex, a successor to Zovirax, whicb Robb claims is more effective and just as safe.

Nevertheless, some analysts wonder whether the difference will be sufficient for cost-conscious health organisations to pay significantly more for Valtrex than an off-patent version of Zovirax.

If Robb wants an example of what can happen when a significant product's patants expire, he need only look at the otber main set of results in pharmaceuticals this week.

SmithKline Beecham has been over-shadowed by a significant patent expiry for years and in May, the US patents for Tagamet, SmithKline Beecham's biggest drug last year, ceased to be protected from low-price generic competition.

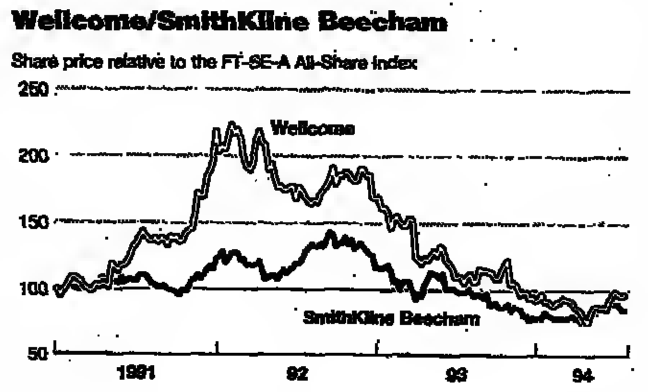
As he announced his second quarter results on Tuesday, Jan Leschly, chief executive, insisted the 9 per cent decline in Tagamet sales did not represent the full impact of the expiry which had occurred only half way through the period. It was far worse, he said.

The reason for such candour is that the pain from Leschly's patent expiry is almost over. Instead, Leschly wants investors to concentrate on his newer products – up 81 per cent year on year – and his $2.3bn acquisition of Diversified Pharmaceutical Services.

As Robb fights to protect his herpes franchise, Leschly can look on with some smugness. He has been through the experience awaiting his counterpart at Wellcome.

Paul Abrahams

Wellcome/SmithKline Beecham



Source: FT Graphite

FINANCE AND THE FAMILY

Brokers take the easy path

***Scheherazade Daneshkhu and Bethan Hutton** on the progress of rolling settlement*

We are almost a week into rolling settlement, the new stock exchange system for paying for shares – yet many brokers have not prepared for some of the changes that are taking place. They have concentrated on encouraging clients to move into nominee accounts, where the stock is registered in the name of the broker's nominee company instead of the client himself. This makes administration much easier for the broker, and some clients also prefer having less paperwork to cope with.

Other issues – such as penalties for late payment and facilities for allowing margin trading (lending money to clients to buy shares) – are apparently being treated on a "play-it-by-ear" basis. Indeed, one of the 20-odd brokers to whom we spoke suggested delaying this article for a month – by which time, he said, his firm hoped to have formulated its policy.

■ Nominee accounts

Ten-day settlement – also known as T+10 – is only the first step towards a faster settlement process. The stock exchange intends to bring in five-day rolling settlement next year. At the moment, a gap of 10 working days still allows enough time for certificates to pass back and forth between broker and client when the latter decides to deal. It is, however, difficult to see how this will be possible under the shorter-time frame of T+5. Nominee accounts are then likely to be the only way the majority of private clients will be able to deal.

Nominee accounts are used already for all personal equity plan holdings. Most brokers operate both pooled and designated nominee accounts. Pooled nominees group together shareholders, and the only name that appears on the register is that of the nominee company. In a designated nominee, the broker's name and the client's designation – usually a number – appear together on the company register and this should ensure that the investor retains shareholder benefits.

Some brokers – including Broadbridge, Butterfield Securities, Dunbar, Boyle & Kingsley, Fidelity Brokerage, Fyshe Horton Finney, Killik, Sharemarket and Shaw & Co – operate designated nominees only (other than for Peps, which are in pooled nominees).

Surprisingly, ShareLink, the execution-only dealing service, has not yet put in place a nominee account for its dealing customers, although it says plans are under way. It operates a pooled nominee for Pep and new issues customers.

■ Penalties for late payment

Understandably, brokers are stressing the need for prompt payment. If, after 10 days, a client's cheque does not clear, the broker is left holding the shares. Some brokers say they will charge the client interest – the figure mentioned most often is 3 to 4 percentage points above the present base rate of 5.25 per cent.

Others may also charge a fee. Shaw & Co. says it reserves the right to charge a late-delivery penalty of £5 a day on top of an interest rate of 4 percentage points above the base rate. It warns that if stock remains undelivered for 10 days, all costs and charges incurred will be debited to the client's account.

Others have no penalties for late payment at the moment. James Capel said: "Wa wait to see how the market deals with late payment and what recompense we shall be seeking."

Brewin Dolphin Bell Lawrie is waiting until September before bringing in late-payment penalties; this will allow clients to get used to rolling settlement. But it could charge up to 5 percentage points over the base rate after that.

In general, execution-only brokers will charge higher penalties than advisory brokers. Fidelity says it will charge 10 percentage points above base rates while ShareLink could charge interest at 15 per cent APR and make an administrative charge of up to £40, as well as selling the shares involved and using the money raised to settle the amount owed.

The Tring-based Share Centre will not buy stock unless tha client already has enough money in his account to pay for it.

■ Is extended settlement possible?

Yes, although it is up to market-makers – dealers who set the price for stocks – to accommodate brokers. Clients most likely to want extended settlement are speculators.

Earlier this month Smith New Court, the securities house, said it would accommodate brokers requesting special settlement after T+10. (Settlement is the process by which shares are delivered to a buyer in exchange for delivery of payment).

In other words, a client who wants to settle on T+11 might be able to do so if he tells his broker when he places the order.

Brewin Dolphin Bell Lawrie says: "Clients can request to deal for special settlement. Any price differential will be a matter for the market-maker – we will not charge extra for such a bargain." Williams da Broe says it expects to be able to improve on terms offered by others.

Sharemarket, the Manchester-based execution-only broker, is making extended settlement a feature of its service. It will allow clients (at its discretion) to roll over each 10-day settlement transaction for another 10 days, subject to certain terms. But other brokers such as Dunbar, Boyle & Kingsley and Albert E. Sharp say they will not allow extended settlement.

■ Margin trading

Most brokers say they are thinking about this, but few have come up with concrete plans. Williams de Broë, Shaw & Co., Butterfield and the Share Centre are among those offering margin trading to selected clients.

What you can expect to pay

Nominee account charges can be confusing. The most common charging method is a fixed fee for each stock held, payable on a quarterly or half-yearly basis. This often covers the whole nominee service, but sometimes there are additional charges.

These cover such things as transferring shares into or out of the nominee account, collecting dividends, preparing valuations or tax certificates, passing on annual reports or other company documents, arranging attendance at annual general meetings, or benefiting from shareholder perks. Holding overseas shares in a nominee account is usually more expensive.

A few brokers make no charge for the nominee service – but make sure this is not balanced by higher dealing costs or other charges. Users of execution-only services are more likely to be charged for nominees than discretionary or advisory clients, who usually pay higher charges elsewhere.

Some brokers reserve the right to make a charge for company reports or AGM attendance, but do not necessarily impose it.

Many of the mass-market share dealing services take an all-in approach to nominee charges. Barclays Stockbrokers has different nominee charges depending on whether you are an execution-only or advisory client, but provides the same pooled nominee service for both.

This includes half-yearly valuations, composite tax voucher, company reports and accounts, most shareholder perks and voting rights.

Advisory clients pay £1 a stock each quarter (minimum £25) for the full service; execution-only clients pay 75p a stock each quarter (minimum £9) for the same service. Dealing charges are identical.

Fidelity Brokerage, which has about 25,000 execution-only customers, registers all purchases automatically into a designated nominee account but makes no charge for the nominee, which includes the full range of services. The one exception is a £20 charge for re-registering shares into another name. Leeds-based Broadbridge does not charge for nominee accounts, and dealing charges are the same whether or not a nominee is used.

At the other end of the scale, the more exclusive Williams de Broë includes a nominee service in the annual fee for its discretionary and advisory portfolio management service, but execution-only clients are charged £3 a stock held in the nominee account each quarter, plus an extra £3 per dividend collected, £5 for tax certificates, and other charges for transfers out of the nominee.

James Capel charges advisory clients £15 a stock each quarter for its nominee package, in addition to a £250 annual administration charge for each portfolio.

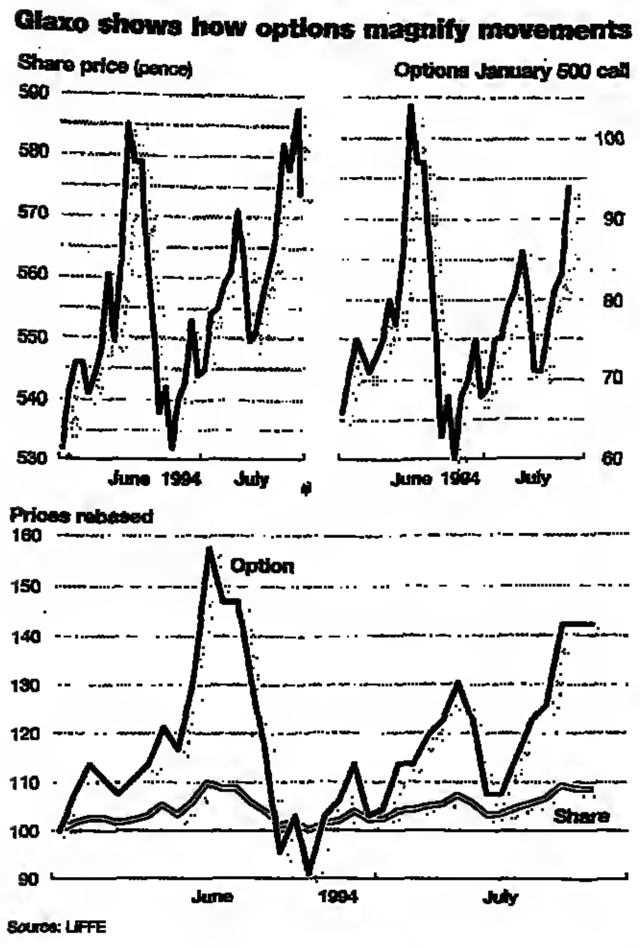
Most brokers have not yet altered their nominee charging structures in response to rolling settlement but some, which until now have not charged for nominee accounts, may start once larger numbers have opted for the service.

One is Albert E. Sharp, which says: "We do not charge advisory dealing clients for nominee accounts, but are reviewing this policy and may decide to do so in due course." Before you sign up, it is worth asking any broker how long the charging structure is due to be in place.

Dealing charges are sometimes different, depending on whether you are using a nominee account as well as whether you are dealing on an execution-only, advisory or discretionary basis.

Dealing with in-house nominee accounts is usually easier administratively for the broker, so not using a nominee could make dealing more expensive. Butterfield Securities charges non-nominee customers an extra £10 a deal, and James Capel has a £25 "delivery fee" for non-nominee advisory clients.

FINANCE AND THE FAMILY



The options option

Peter John has some advice for stock market speculators

Speculators face a potential blow under rolling settlement, the new stock exchange method of paying for shares (see page III). Under the old system of account trading – which covered 10 to 15 per cent of stock market deals – they could buy and sell shares for a quick profit without having to put up any money or take physical possession of them. Now, each deal will have to be settled – either in cash or share certificates delivered – 10 business days later.

What, then, should the speculative investor do? He has two natural choices. One is to engage in margin trading, borrowing money to buy shares. The other – to which Liffe, the London derivatives exchange, hopes investors will turn – is traded options. Like margin trading, buying traded options is a geared investment: you make more money than you would in the underlying shares if the share price moves in your favour – but you can lose everything if it moves against you.

A buyer of a traded option has the right, but not the obligation, to buy or sell particular shares at a fixed price at any time up to a specific expiry date. Calls (the right to buy shares) and puts (the right to sell them) are available in 70 different companies, with a range of different prices and periods available for each.

Traded options relate mainly to FT-SE 100 companies and most are traded only in blocks representing 1,000 shares. There are also traded options in the FT-SE index itself. At the moment you can, for instance, buy Glaxo options which expire this month (July), or in October or next January. The share price is around 580p; available options give you the right to buy at, for example, 550p or 600p.

Not unnaturally, you pay for this right. An option lasting until October, and which gives you the right to buy at 600p, will cost 26¼p – but one for the same period, giving the right to buy at 550p, will cost 54p. If the Glaxo price remains unchanged during that period, the 600p option will expire worthless while the 550p one has intrinsic value of around 30p. But if the share price slips to, say, 560p, that intrinsic value will be cut to 10p.

The point about traded options, however, is that you can buy and sell the option itself – you do not need to use it to buy the underlying shares. So, if the Glaxo price were to move up smartly, the options probably would rise even more sharply and you could take your profits by selling the options.

Here is a real example of what might have happened. Say, earlier this summer, an investor noticed that pharmaceuticals had underperformed the broad London market and that Glaxo had done particularly badly. Indeed, on June 27, Glaxo shares had underperformed the falling market by 13 percentage points over the previous six months and stood at 533p.

One response could have been to buy 1,000 shares. In that case, £5,333, which could be earning interest in the building society, would have been tied up. Alternatively, a January 500 call – that is, the right to buy the shares up until January 1995 at 500p each – would have cost 63½p a share, or about £635 (plus costs) for a contract.

The 63½p option price (known as a premium) is made up of two elements: intrinsic value and time value. Intrinsic value is the amount by which the option is below the underlying share price. (Not all options have intrinsic value). Time value is the difference between the intrinsic value and the actual cost of the option. Working it out involves a complex mathematical formula but, essentially, the longer the option's period, the greater the time value – because the chances of it acquiring intrinsic value in the interim are greater.

The intrinsic value rises or falls with the value of the shares. But it exaggerates the movements in the underlying share price. The time value does not decrease in a straight line in proportion to the time involved. Often, it remains relatively high until shortly before expiry, especially when the market swings the way it has done recently. In fact, by Wednesday this week, Glaxo shares had reached 584p and the price of Glaxo January 500 calls was 96p. An investor could have sold the £635 contract for £960.

The two main advantages of calls over shares is that (a) they are a geared play offering the potential for much greater gains, and (b) the amount that can be lost is limited to the cost of the option. Puts operate in the same way as calls except that they allow investors to SELL shares at a fixed price up until the expiry date. They allow investors to insure or hedge against falls in the market.

Where to find the guidance you need

Trading options is only for knowledgeable investors with deep pockets. The problem is that in-depth information is not available as readily as that for shares.

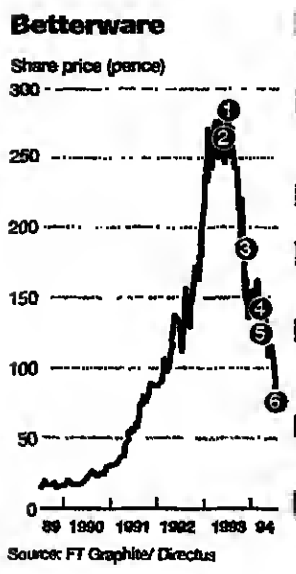
The London International Financial Futures Exchange (Liffe) has a help-line* and will provide a starter pack that includes a newsletter, a list of about 50 brokers, a slim guide book, and a programme of seminars which costs between £9 and £12. After that, however, you are out on your own.

The next stage is to contact a broker although only about a dozen, such as Killik & Co., give advice on strategy. But Graeme Hatch, the head of Killik's traded options team, warns that unlike share portfolios, which can be left in the care of a broker, options are too risky to devolve. "They are far too volatile and speculative to leave to a broker, and people should follow them closely," he says.

For more confident investors, there are execution-only brokers which will charge less but provide no specific advice. The most well-known is probably ShareLink, of Birmingham. ShareLink will send out an information pack similar to Liffe's and a regular newsletter. After that, it can tell a client nothing more than the prices and the spreads.

**For Liffe's help-line, call 071-379 2233/2255.*

Directors' transactions



SOLD 24/6-3/8/93 (1)
JR Lloyd
135,600 at 245-250p

SOLD 10/6/93 (2)
SS Cohen (Vice chairman)
7,000,000 at 230p
AL Cohen (MD) 6,300,000 at 230p

BOUGHT 10/6/93 (2)
RC Thornton 100,000 at 230p

BOUGHT 2/11/93 (3)
AL Cohen 400,000 at 196p
JR Lloyd 400,000 at 196p

BOUGHT 6/12/93 (4)
WK Goldsmith (Chairman) 15,000 at 142p
PC Hartley (FD) 10,000 at 142p
TA Hockley 6,000 at 142p

BOUGHT 30/12-4/1/94 (5)
WK Goldsmith 10,000 at 132p
JR Lloyd 2,297 at 142p

BOUGHT 6-13/7/94 (6)
WK Goldsmith 19,150 for PEP at 92p
A Cohen 19,700 for PEP at 88p

Always look at directors' dealings in context. The recent small purchases, totalling £35,000, by two directors of Betterware are insignificant when compared with sales worth £30.6m by the Cohen family in June 1993. The shares had tumbled by 60 per cent between the Cohens' big sale and the recent purchases – and have fallen even further, to just 76p.

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Bodycote	Eng	41,000	113	1
British Bloodstock Agency	OS&B	30,000	26	1
Chrysalis	L&HI	10,279	17	1
Lonrho	Divl	135,962	177	1
Osborne & Little	HGod	40,000	156	1
PURCHASES				
Anglo Eastern Plantations	OS&B	86,300	66	1
Asprey	RetG	375,000	1,148	1
Betterware (Pep)	RetG	19,700	17	1
British Bloodstock Agency	OS&B	30,000	26	1
Brunner	InvT	5,256	12	1
BTP	Chem	6,166	18	1
General Electric Co (Pep)	EE&E	11,764	32	2
Low & Bonar (Pep)	PP&P	6,000	24	1
Lowe (Robert H) (opn off)	Text	10,655,907	852	4
M & G Group	OthF	25,000	204	1
Orb Estates	Prop	8,358,200	84	1
Roskel (Pep)	BM&M	11,700	11	2
Royal Bank of Scotland	Bnks	2,500	11	1
Scottish Mortgage & Trust	InvT	18,000	39	1
Smith New Court	OthF	12,313	44	5
Triplex Lloyd	Eng	10,000	14	1
WEW Group	RetG	75,000	27	2

Value expressed in £000s. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange July 11-15 1994.
Source: Directus Ltd, The Inside Track, Edinburgh

John Asprey, chairman of the famous London jeweller, made the largest transaction of the week when he bought 375,000 shares on behalf of the family's trust fund. But since the family already owns more than 50 per cent of the group, the deal accounts for a very small proportion of its stake.

☐ Orb Estates used to be called Ossory and had considerable success early in the 1990s when its shares traded around 45p. Since then, it has made substantial losses and, most recently, director William Higgins was able to buy some stock for his pension fund for 1p. Earlier in the month Millash Ltd, a company in which Higgins has a sizeable interest, bought 5m shares, also at 1p.

☐ The share price at Chrysalis Group, a music company, has had an outperformance of more than 130 per cent against the market over the past 12 months. The company is expected to show a smaller loss this year than last and record a profit in 1995. Non-executive director Charles Levison has proved an astute investor already, buying stock at 68p last summer. In his most recent transaction, he sold half his holding at 170p.

☐ Directors at wallpaper-maker Osborne & Little have also seen their share price outperform the market over the past 12 months – in this case, by 189 per cent! Two directors have sold stock within the past month, most recently chairman Peter Soar who disposed of 40,000 shares at 389.5p.

Vivien MacDonald
The Inside Track

■ *Small businesses, Page VIII*

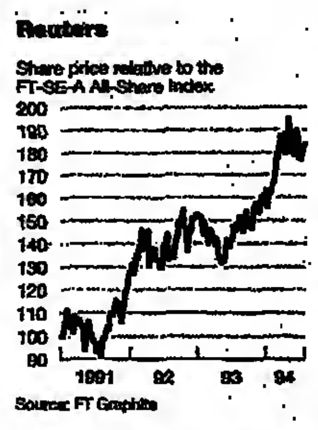
The week ahead

Imperial Chemical Industries, the UK's biggest chemicals group, reports second-quarter results on Thursday. Estimates range from £110m to £130m against £96m. Most observers are bullish about prospects. ICI is benefiting from its exposure to the buoyant US and Asian markets, and the UK recovery. The only fly in the ointment is the European continent, but US groups have even noted some upturn in demand there.

☐ Reuters Holdings, the UK financial information and news group, will emphasise its international and high-tech credentials on Wednesday by presenting interim results in New York. The meeting will be transmitted live by satellite to London, where analysts expect pre-tax profits of about £245m for the six months to June 30, compared with £215m last time.

☐ BAT Industries, the UK-based tobacco and financial services group, is expected on Wednesday to announce an increase in underlying interim profits to about £900m before tax, although the range stretches from about £880m to £920m. Last year's figure was £902m, but that included a £123m exceptional profit from a brand swap deal with a US company. Growth is thought to have been stronger in the second quarter, driven mainly by insurance rather than tobacco.

☐ Lloyds is the first of the British clearing banks to report its interim results (on Friday) although the outlook is affected by uncertainty over its



proposed £1.8bn acquisition of Cheltenham & Gloucester building society. Pre-tax profits of about £850m are expected although the figure is uncertain because it will be affected heavily by how much the bank gains from releasing bad debt provisions.

☐ Interim results from Lloyds Abbey Life, the life insurance group, on Wednesday are expected to show pre-tax profits of £164m to £176m for the six months to June 30 (£152.5m). Interim dividend is expected to be between 6.5p and 6.7p (6.3p). Acquisition of new life and pensions business will have been difficult, especially given the emphasis put on training the sales force.

☐ Growing vehicle sales and an exceptional gain on the disposal of the Appleyard motor dealer group should lift interim pre-tax profits at Lex Service, the UK's largest car distribution and leasing group, to around £31m (£21.2m) under FRS3. Analysts expect underlying profits of about £24m when the group reports on Tuesday.

RESULTS DUE

Company	Sector	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Abtrust Scotland Inv Co	InTr	Monday	-	-	-
Abtrust Preferred Inc	InTr	Wednesday	-	-	3.281
Banks (Sidney C)	FdMa	Thursday	4.0	2.0	3.5
Birkdale Group	Med	Wednesday	-	-	-
Cons Murchison	Extn	Tuesday	-	-	-
Dalepak Foods	FdMa	Tuesday	1.5	4.5	0.5
Dyson (J&J)	BdMa	Wednesday	2.0	3.0	1.8
Electric & General Inv	InTr	Friday	1.5	1.8	1.55
Flagstone Hldgs	Prop	Friday	-	-	-
Fleming Emerging Mkts	InTr	Wednesday	-	-	-
Geared Inc Inv Tst	InTr	Tuesday	-	-	2.825
Gibbs Mew	Brew	Tuesday	3.0	4.5	3.75
Govett American Smaller	InTr	Thursday	-	-	-
Govett Emerging Mkts	InTr	Wednesday	-	-	-
Jersey Phoenix Tst	OtFn	Thursday	1.25	1.8	1.25
John Lusty Group	Dist	Friday	-	-	-
Marling Industries	Text	Monday	-	0.65	0.2
Mays	SpSv	Tuesday	2.81	4.4	3.0
Merrydown	SW&C	Monday	1.0	8.0	1.0
Mitie Group	n/a	Wednesday	1.5	2.0	2.0
Murray Smaller Mkts Tst	InTr	Tuesday	1.35	2.85	1.42
PEX	Text	Wednesday	-	-	-
Prior	Prop	Thursday	-	-	-
Radiant Metal Fin	Eng	Friday	-	-	-
Rubicon Group	Eng	Wednesday	2.5	-	1.8
Shield Group	Hlth	Wednesday	-	-	-
Stagecoach Hldgs	Tran	Tuesday	-	-	1.5
Sykes (Andrew) Group	B&C	Friday	1.4	3.0	-
TR Smaller Co Inv Tst	InTr	Friday	1.5	2.3	1.5
Unitech	E&EE	Thursday	2.1	4.0	2.24
Verson Intl	Eng	Wednesday	-	-	-
INTERIM DIVIDENDS					
Admiral	SpSv	Thursday	2.0	4.3	-
African Lakes Corp	Dist	Friday	-	0.5	-
Allied Textile Co	Text	Tuesday	4.6	8.3	-
Ayrshire Metal Products	n/a	Thursday	-	1.5	-
BAA	Tran	Friday‡‡	6.75	11.25	-
BAT Inds	Tob	Wednesday‡	-	-	-
Blagg	n/a	Thursday	-	-	-
British Telecom	Tele	Wednesday‡‡	6.65	10.05	-
Bullough	Eng	Monday	1.75	4.3	-
Chieftain Group	BdMa	Thursday	1.5	2.0	-
Clinical Computing	n/a	Monday	-	-	-
Continental Assets Tst	InTr	Tuesday	-	3.0	-
Contra Cyclical Inv Tst	InTr	Thursday‡‡	-	-	-
Danka Bus Systems	E&EE	Thursday‡‡	0.75	0.75	-
Derby Trust	InTr	Thursday	-	-	-
Fleming Fledgeling Inv	InTr	Thursday	1.0	2.0	-
Gartmore Br Inc & Growth	InTr	Tuesday‡‡	-	-	-
Geared Inc Inv Tst	InTr	Tuesday			-
Green Property	Prop	Thursday	-	-	-
Greggs	n/a	Monday	6.0	12.0	-
ICI	Chem	Thursday	10.5	17.0	-
Jacobs (John I)	Tran	Thursday	0.5	1.4	-
Lex Service	Dist	Wednesday	4.7	7.8	-
Lloyds Abbey Life	LfA	Wednesday	6.3	11.7	-
Lloyds Bank	Bank	Friday	6.6	15.5	-
M&G Dual Tst	InTr	Tuesday	-	-	-
Milligate	n/a	Wednesday	-	-	-
Motor World Group	EngV	Thursday	-	-	-
Murray Split Cap Tst	InTr	Wednesday*	-	-	-
Premier Health	Hlth	Thursday	-	-	-
Ramsden's (Harry)	L&H	Monday	1.0	3.5	-
Reuters	Med	Wednesday	8.2	19.8	-
Rights & Issues Inv	InTr	Tuesday	8.565	0.435	-
Scottish Nat Tst	InTr	Wednesday*	-	-	-
Shandwick	Med	Tuesday	-	-	-
Spargo Consulting	n/a	Wednesday	-	-	-
Specialeyes	Hlth	Wednesday	-	-	-
Sphere Inv Tst	InTr	Thursday	1.15	-	-
St Andrew Trust	InTr	Monday	2.7	5.1	-
Standard Platforms Hldgs	SpSv	Wednesday	-	-	-
TR Far East Inc Tst	InTr	Friday	1.3	-	-
Temple Bar Inv Tst	InTr	Tuesday	4.6	8.95	-
Thornton Asian Emer Mkts	InTr	Wednesday	-	0.5	-
Witan Inv	InTr	Thursday	2.7	3.1	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. ‡‡ 1st quarterly. ‡ 2nd quarterly. * 3rd Quarterly

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
AIM Group	Eng	Apr	1,010	(3,520)	4.2	(17.9)	4.5	(7.5)
Baileys	n/a	Apr	5,740	(5,530)	25.04	(28.06)	-	(-)
Bramway	Eng	Apr	910	(776)	1.04	(0.86)	0.53	(0.51)
Bucknall Group	Prop	Apr	236	(1,330 L)	0.2	(-)	-	(-)
Colefax & Fowler	HseG	Apr	391	(366 L)	0.6	(-)	1.0	(1.0)
Creighton Naturally	HseG	Mar	1,080	(1,000)	14.2	(13.9)	7.7	(7.3)
Dana Exploration	OIE	Dec††	18 L	(1,220)	-	(15.32)	-	(-)
Ebiel	Text	Apr	267 L	(992 L)	-	(-)	-	(-)
Eve Group	B&C	Mar	3,900	(4,150)	25.4	(27.4)	11.0	(10.0)
First Technology	EngV	Apr	4,100	(2,340)	17.33	(10.75)	3.5	(1.0)
Goode Durrant	Tran	Apr	10,600	(15,400 L)	14.5	(-)	6.0	(5.4)
Hartstone Group	Text	Mar	70,700 L	(8,900 L)	-	(-)	-	(-)
Hollas Group	Text	Mar	165	(7,300 L)	-	(-)	0.6	(1.2)
Investment Co	OtFn	Mar‡	50.8	(44.8)	3.13	(2.91)	1.5	(1.5)
McKay Securities	Prop	Mar	3,000	(1,500)10.	7	(4.2)	5.2	(3.5)
Moorgate Inv Tst	InTr	May‡	162.1	(140.1)	4.66	(5.09)	4.25	(6.5)
Mosaic Investments	PP&P	Apr	1,000	(14,800 L)	0.78	(-)	-	(-)
Nobo Group	OtSv	Apr	2,500	(1,300)	15.59	(9.15)	6.0	(4.8)
Oceanics Group	OIE	Mar	1,260 L	(1,610)	-	(0.2)	-	(-)
Pelican Group	L&H	Mar	2,610	(808)	4.9	(4.0)	1.25	(1.1)
Saville Gordon J	Prop	Apr	5,600	(2,350)	3.9	(1.4)	2.7	(2.2)
Smith David S	PP&P	Apr	42,200	(27,100)	25.2	(21.8)	10.75	(10.0)
Southend Property	Prop	Mar	5,030	(513)	4.13	(-)	2.4	(4.25)
Tinsley Eliza	Eng	Mar	801	(713)	7.18	(6.62)	5.61	(5.45)
Unipalm	n/a	Apr	272	(605)	0.89	(2.9)	-	(-)
VHE Holdings	B&C	Mar	3,760	(2,890)	8.0	(6.5)	3.8	(-)
Victoria Carpet	HseG	Mar	1,860	(599)	16.62	(5.28)	4.5	(-)
YRM	Prop	Apr	2,840 L	(1,980 L)	-	(-)	-	(-)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Amicable Smaller	InTr	Jun‡	137.84	(142.39)	1.7	(1.7)
Automated Sec Hldgs	Spv	May	5,790	(4,860)	-	(-)
Brewin Dolphin	n/a	Jun	2,530	(1,320)	1.0	(-)
Brown & Jackson	ReGn	Jun	12,700 L	(11,440 L)	-	(-)
Carlisle Group	OtFn	Jun	1,000	(337 L)	0.25	(-)
Central Motor Auct	Dist	Apr	420 L	(347)	0.5	(1.0)
Edinburgh Java Tst	InTr	Jun‡	46.9	(61.38)	-	(-)
General Cons Inv	InTr	Jun‡	214.3	(200.0)	3.9	(3.9)
Grosvenor Dev Cap	InTr	Jun‡	155.9	(153.6)	-	(-)
Hill & Smith	Eng	Mar	1,740	(1,480)	2.1	(2.1)
Holders Technology	Dist	May	152	(251)	2.0	(2.0)
Inspirations	n/a	Mar	970 L	(1,390 L)	0.56	(-)
Labyrinth Group	n/a	Jun	601	(153 L)	-	(-)
Lancs Enterprises	n/a	Apr	1,430	(1,358)	1.35	(1.25)
Leslie Wise Group	Text	May	1,240	(1,230)	1.75	(1.75)
ML Laboratories	Hlth	Mar	953 L	(65)	-	(-)
Scottish American In	InTr	Jun‡	175.0	(163.1)	2.39	(2.29)
Telemetrix	E&EE	Jun	7,900	(5,200)	-	(-)
Trust of Property	InTr	Jun‡	86.18	(82.45)	-	(-)
Waste Management	OtSv	Jun	82,230	(71,460)	-	(-)
Waste Recycling	OtSv	Jun	346	(-)	-	(-)
Wellcome	Phrm	Jun‡	488,100	(486,600)	5.8	(5.8)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. † Not asset value per share. ‡‡ Irish Punts and pence. ‡ US Dollars and Cents. ‡ 10 month figures. ‡ On A shares. ★ 9 month figures.

RIGHTS ISSUES

Dana Exploration is to raise £2.17m via a 11 - 5 rights issue @ 5p.
Freeport Leisure is to raise £1.35m via a 8 - 1 rights issue @ 65p.
Hartstone is to raise £30.3m via a 2 - 1 rights issue @ 15p.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Copyright is to raise £12m via a placing & offer of 3m new shares.
ED&F Man is to raise £450m via a placing & open offer.
Freeport Leisure is to £4.15m via a placing of 7.2m shares @ 65p.
Waste Recycling is to raise £5.95m via a placing of 9.72m ord shares @ 65p with a 3 - 5 clawback by eligible shareholders.
Wellman is to raise £32m via a placing & open offer of 88.8m ord shares @ 36p.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m**	Bidder
Prices in pence unless otherwise indicated					
Bredero Props.	10*	10	15	3.70	Slough Estates
Chiltern Radio	242*	265	205	16.90	CLT
Davenport Vernon	167	156	113	32.30	Evans Halshaw
Great Southern	600*	622	475	71.11	Service Corp Int
Do. Prf.	238*	235	180	16.29	Service Corp Int
Jessups	123¾	123	98	12.01	BSG
Low (Wm)	225*	253	169	200.00	Tesco
NMC ‡	159§§	158	159	113.00	Britton
Spear (J.W)	1100*§	740	740	46.90	Hasbro
Spear (J.W.)	1000*	740	740	52.00	Mattel
Towles	265*	271	243	4.22	London City
Trans World	181	168	173	70.80	EMAP

*All cash offer. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 22/7/94. §§Shares and cash.

FINANCE AND THE FAMILY

Winners and losers

***Scheherazade Daneshkhu** on the relative virtues of gilts and bond funds*

Investing in a bond fund is almost invariably more expensive than buying gilts directly. Gilts can be purchased cheaply and easily enough over a post office counter from the National Savings Stock Register. But most UK bond funds have an initial charge of up to 6 per cent (the table shows some of the present bid-offer spreads - the difference between buying and selling units). They also carry an annual charge, usually of about 1 per cent.

Gilt prices and yields vary in inverse proportion. While yields have risen, from about 6 per cent to just over 8.5 per cent in the first six months of the year, the price of the 10-year benchmark gilt – Treasury 6¾ per cent 2004 – fell 16.9 per cent.

Investors in UK bond funds, who hoped to have fared better, may be disappointed to see from the table that the average unit trust in the UK gilt and fixed income sector fell by virtually the same amount – 16.66 per cent (offer to bid, no income re-invested) – over the same period.

This is despite the greater flexibility that bond funds have. Many of those in the UK gilt and fixed income sector invest in shorter dated gilts, corporate bonds and preference shares, which are part of a company's share capital and pay a fixed dividend.

When yields are rising, as has happened in the first half of the year, changes in price are greater for longer dated gilts than for those at the short end of the market. The J.P. Morgan UK government bond price index, which covers the performance of both longer and shorter dated bonds, fell 14.2 per cent over the first six months of the year – less than the 10-year benchmark gilt.

Bond funds investing in the short end of the market have had an advantage over this period. The Whittingdale short dated fund does not invest in gilts with a maturity of more than six years and the fund's performance has benefited from this restriction. But when prices are rising, such as in the bull market of 1993, the shorter end of the market tends to perform less well.

Thus, the Whittingdale short dated fund was ranked 52 out of 58 by Micropal in the year to January 3 1994 (offer to bid, net income re-invested), although it was in the top five funds over five and 10 years.

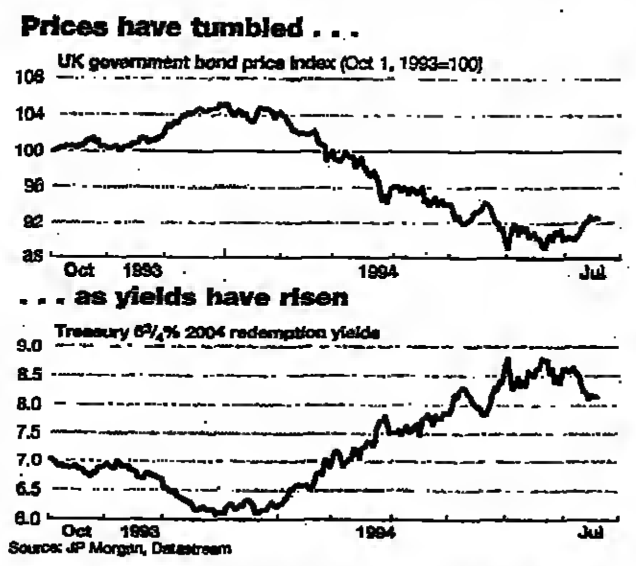
Abbey Life's Capital Reserve fund (which is not included in the table because it has only accumulation units) also invests in short dated gilts. With net income re-invested, it is the top-performing fund (excluding bear funds) in the sector, mainly because it switched to cash.

Gerard Wherity, its fund manager, says: "We were nervous last year because we thought that the rise in gilt prices was not sustainable.

"If we believe prices are going to fall, we avoid being in gilts. The fund has been liquid through fairly large chunks of the year, but we were more liquid than we should have been last year."

Many private investors, however, buy gilts for the income they provide. The highest yields of the top 10 funds listed were delivered by those investing in preference shares – Gartmore Preference and Thornton UK Preference – with over 9.17 and 8.5 per cent respectively.

Investors weighing the advantages and disadvantages of bond funds should note that there is a tax drawback to buying gilts in a unit trust. Gains are liable to capital gains tax, whereas gilts bought directly are exempt from it.



Source: JP Morgan, Datastream

Best and worst performing UK bond funds

Fund	Fund size (£m)	Bid-offer spread %	Yield %	Percntge change (%)
TOP 10 (1/1/94-1/7/94)				
Whittingdale Shrt-dated	47.0	1.28	0	-8.54
Britannia Lf Gilt & FI	1.8	2.01	6.26	-9.13
Burrage Shrt-Dated Gilt	1.8	1.26	6.19	-10.92
Exeter Zero Preference	40.7	5.76	0	-10.95
Aberdeen Gilt Income	16.23	0	6.51	-12.72
AIB Grofund Gilt	2.75	3.00	5.44	-12.85
Abtrust Fixed Interest	16.82	6.32	7.53	-13.09
Thornton UK Pref	14.67	6.50	8.50	-13.38
Gartmore Preference	6.60	6.50	9.17	-14.30
Fidelity Gilt & FI	21.50	0.95	7.37	-14.86
BOTTOM 10				
Schroder Gilt & FI	16.40	5.15	7.24	-21.82
N&P Gilt & FI	0.93	5.51	5.94	-21.76
BG Bond	21.47	4.95	8.64	-21.55
Legal & Genrl Gilt	5.00	5.70	8.75	-20.89
Framlington Gilt	13.74	3.03	6.19	-20.20
Legal & Gen FI	2.00	6.00	7.26	-20.16
Prosperity Gilt & FI	1.40	6.01	6.58	-20.16
Norwich Gilt & Cnvtble	11.51	5.93	6.61	-20.04
Clerical Med Gilt & FI	5.00	4.91	7.98	-20.04
Canlife Gilt & FI	4.97	5.67	6.34	-19.73
Sector average				-16.66

Source: Micropal. Offer to bid with no income reinvested. Excludes bull and bear funds and funds with accumulation units only.

Diary of a Private Investor

Working to rule 535(2)

Kevin Goldstein-Jackson explains how to deal in unquoted securities

Rule 535(2) sounded as if it might be part of a European Union regulation, such as the one which defined a carrot as a fruit so that the Portuguese could continue using these vegetables in the production of jam. In fact, 535(2) was not an EU regulation but a very useful rule of the London Stock Exchange to facilitate dealings in certain unquoted securities.

Since July 18, when the stock exchange's new, re-numbered rule book came into operation, rule 535(2) has become rule 4.2. But its general provisions remain unchanged.

Shares in 236 companies are traded under Rule 4.2. These include the Arsenal, Aston Villa, Everton and Glasgow Rangers football clubs; Adnams and Shepherd Neame, which operate breweries and pubs; Lawrie Group, a tea and coffee company; Exchem, which makes speciality chemicals, mining and quarry supplies; and cereal-maker Weetabix.

In April, Michael Lawrence, chief executive of the London Stock Exchange, launched a plan to "promote the interests of both quoted and unquoted smaller companies". One of its suggestions was the "development and re-launch of the 4.2 trading facility as a distinct market with a suitable level of regulation".

I first bought shares in a 4.2 company in 1989 when a stockbroker recommended Southern Newspapers. Based in Southampton, the company dominates its regional market; its publications include an evening newspaper in the Poole and Bournemouth area, where I live. I was happy to pay 325p as I felt the company had a bright future, possibly through a take-over bid.

An unfortunate investment in Leading Leisure led to write-offs in Southern's 1990 accounts of more than £12m and a decline in its take-over prospects; as a result, the shares drifted down. Undeterred, I took the opportunity in 1992 to add to my holding at 225p. Southern's shares now are worth more than £4 and the company is valued at well over £90m. Pre-tax profits for the half-year to January 1 1994 were £7.15m, although this included £3.5m from selling its shareholding in Portsmouth & Sunderland newspapers.

Several companies have moved from the 4.2 market to gain a full listing; recent examples include Celltech, Independent Insurance Group, Scotia, Tadpole Technology, The Telegraph newspaper group and Vardon, a leisure concern. This means that some 4.2 companies – not all of which are big – can be viewed as a ground-floor investment opportunity, the hope being that they (and their share prices) will appreciate when full stock market listings eventually are obtained.

Yet, many 4.2 companies do not want a full listing. Perhaps the directors want to maintain their firm's local character. Or, they may want to ensure they can act for its longer-term future without the publicity that can come from a full listing. Some have been deterred by the cost of a USM or full

listing, plus complying with all the regulatory requirements.

Under Rule 4.2, a company need not pay a fee to have its shares traded. Instead, a stock exchange member firm applies to deal in the shares of a particular concern; if permission is given, this lasts for 12 months from the date of the last trade. If dealings are so few that there are no trades within a 12-month period, then a fresh application for permission must be made.

Most of the dealings in this market are on a "matched bargains" basis: a seller is matched with a buyer and vice-versa. Details are reported to the stock exchange and prices are published in its daily Official List as well as on the dealings page in the Saturday edition of the *Financial Times*.

Some 4.2 companies actually are very private, and share dealings are extremely limited. Without the 4.2 facility, shareholders may well be locked into the company. Even with the rule, a share deal might not be possible for months – if at all.

There are two reasons for this: first, because no one wants to buy at or near the price offered; or, second, because there are not enough shares available to satisfy every potential purchaser. Therefore, investors should not rush into this market on a short-term basis. They could find themselves with a holding that no one wants to buy for a long time.

On the positive side, interest in this market has increased greatly in the past 18 months. In 1993, for instance, dealings worth £520m were reported and this year should show an increase.

Direct investment in 4.2 companies can provide considerable tax incentives for private investors. In its annual report, Southern Newspapers points out that because its shares are not quoted on a recognised exchange, they "prima facie fall within section 105(1)(c) of the Inheritance Tax Act 1984 as a relevant business property which, in appropriate circumstances, will rank for a reduction of 50 per cent (30 per cent prior to March 10, 1993) in value for inheritance tax purposes".

In other words – and subject to certain conditions – if an investor owns less than 25 per cent of an unquoted company, the IHT is reduced by 50 per cent on such holdings.

It is encouraging to see interest being focused on this area – although one hopes that the various tax incentives will continue to be protected.

The Professionals

In search of that certain mystique

Joanna Slaughter** continues her series on private client investment managers. Today: **Fleming

Graham Ball, managing director of Fleming Private Asset Management, the private client arm of the Fleming Group, believes that its flexibility makes it different from much of the competition. Clients can choose the way their money is managed and how they pay for it.

Ball says: "Clients can be advisory or discretionary, fee-paying or commission-paying, onshore or offshore, international or sterling-based. And we take enormous pains to find the fund manager most suited to a new private client."

Last year, FPAM's funds under management on behalf of more than 3,600 private clients grew by £1bn to £2.7bn. Within its basic portfolio management service, £396m is managed for discretionary clients, and £596m is run on an advisory basis.

FPAM offers two private client services – portfolio management for those with £100,000-plus, and a highly personalised approach for those with more than £1m who want an equity-based fund management service in a major currency.

Given the house philosophy of choice and flexibility, it is no surprise to learn that all clients have a bespoke portfolio. Unit trusts may be recommended for exposure to smaller companies or to exotic markets, but collective investment vehicles will not be used if the client demurs.

Ball dismisses those who argue that more modest clients should be steered towards collective schemes. "There is no doubt that a bespoke portfolio is far sexier than a unit trust portfolio," he says. "And if clients have a unit trust, they have to pay management fees. At the end of the day, we can make a good profit with a bespoke portfolio of £100,000 – and so can the client."

The 40 private client investment managers have access to the independent research and international capabilities of the Fleming group. It has an in-house research unit of six, although the task of interpreting this research for clients is left to individual fund managers. Their performance is monitored regularly.

Investment managers: factfile 5

Fleming
(Fleming Private Asset Management)
Established: 1873

Regulator: SFA

Number of offices in UK: One

Number of offices worldwide: 42 in 30 countries

Funds under managements: £2.7bn (private clients); £50bn (Fleming Group)

Number of UK private clients: 3,580

Number of expatriate/foreign national private clients: 63

Minimum investment for private clients: £100,000

Current asset allocation for private clients: UK equities, 67%; overseas equities, 29%; commodities, 2%; bonds, 0%; cash, 2%

Average annual portfolio turnover: 30%

Fees: Commission basis, annual fee £250 (discretionary) or £350 (advisory), plus commissions; fee basis, 0.75 per cent of portfolio value (minimum £1,500 a year), plus transaction commissions.

Hong Kong, a key centre for FPAM's Pacific rim dealings

In the main, UK private clients will be invested in the top 250 shares. Annual portfolio turnover averages 30 per cent. Ball says: "What turns me on in investment terms is good management, a good balance sheet and good products."

He adds: "We are probably not ruthless enough with losses. At the end of the day, we should put in stop losses. Some managers do, but we don't do enough of it. I think the reason is the volatility of the markets."

The house view on asset allocation is reviewed each month; indeed, FPAM has recently taken 2 per out of the US and put 2 per cent into the Pacific rim. The The present recommended allocations for a UK client are: cash, 2 per cent; bonds, 0 per cent; UK equities, 67 per cent; US, 10 per cent; Japan, 6 per cent; Pacific, 6 per cent; Europe, 5 per cent; emerging markets, 2 per cent; and commodities, 2 per cent. And although clients may have as much as 25 per cent of their portfolio in cash and gilts if prudence dictates, FPAM's policy is to have portfolios invested fully.

Ball says: "We think share prices are attractive at these levels. The view we are taking is that the average p/e for 1995 will be 12 times. That is not expensive; it is good value."

Ball established a traded options team two years ago and says: "With markets so volatile, there is no doubt that derivatives are going to become more and more important, and I think it is important to protect our portfolios. But it is a learning curve. It is very important to hedge, but most private clients do not do it properly. They will buy and sell options instead of writing them."

For the future, Ball would like FPAM to expand on the international side and to acquire another stockbroker or investment house. But growth will not come from advertising or promotions. "Despite our success, Flamings are not known for their private clients and that suits me," says Ball. "What we are running is a quality operation. I want an air of mystique so people think it is a privilege to be a client."

Making your money work

*For that, you need facts. **Anthony Bailey** tells you where to find them*

Information is essential to managing your cash, just as it is for investing in shares. Although putting cash on deposit should be the most straightforward part of managing a portfolio, it is often difficult to know where to locate the best rates. Here is a run-down of useful sources.

■ **MoneyFacts**
A monthly bulletin gives savings rates (including tax-exempt special savings accounts, offshore accounts and accounts for businesses, charities and clubs) from around 70 building societies and a range of banks, although the smallest are excluded. In addition, there are details of current and student accounts and National Savings.

The fixed-rate section includes local authority bonds, retail co-ops and guaranteed income bonds. Borrowing also is covered, taking in credit, gold and store cards, personal loans and mortgages from around 100 lenders.

The service is aimed primarily at the professional adviser, although one-off copies of the magazine can be obtained for £4.25*. But information can soon become stale in a monthly publication of this sort. For this reason, it is being updated constantly on the main MoneyFacts database.

Three premium-rate lines give a lengthy summary of the latest rates: 0336-400 238 for savings, 0336-400 239 for mortgages, and 0336-400 237 for commercial mortgages. You will need a fax machine to receive the information. The cost is likely to be around £4 to £5, depending on when you call.

Some information is available free on Channel 4's teletext service (pages 545-546).

MoneyFacts also provides the *Weekend FT* with its Highest Rates for Your Money table – on page VII today.

■ **Blay's Guides**
These are another comprehensive source of information and also aimed at professionals. Unlike MoneyFacts, you are given both gross and gross compound annual rates. In addition, you can find out the net rates for both 25 and 40 per cent taxpayers.

You cannot buy an individual copy of the monthly paper-based Blay's MoneyMaster but it is sometimes found in public reference libraries. Alternatively, find out if your financial adviser subscribes to the more sophisticated computer-based version of the service.

A fair amount of free information can be found on BBC2's Ceefax, pages 261-267.

■ **Chase de Vere**
This is a firm of independent financial advisers well-known for its comprehensive guide to the personal equity plan market. In addition, it runs a Moneyline service, which can take 200 to 300 calls on a quiet day. This costs nothing and can be dialled via Freephone.

Savings details from all building societies and the large banks are updated once a week. Inquirers will be sent a neat summary of the top-paying account for different levels of investment, different notice periods, and for fixed terms. There is also a summary of guaranteed income bonds.

The firm's subsidiary, London & Country Mortgages, has a Freephone line (0800-373 300) with mortgage information.

■ **Which? Moneyfax**
This is the newest of the services but, in many ways, is the least impressive. Launched in June, it compresses too much on to one page: a range of best-buy savings rates (including Tessas) along with details of credit cards, mortgages, personal loans and overdrafts. Similar summaries can be found in many newspapers and magazines.

By its nature, Moneyfax can be only a starting point for financial decisions and it will cost you about £1 to get it – cheap, but not a best buy. You will need a fax machine and the telephone line is premium rate.

■ **FT Cityline**
This provides a comprehensive mortgaga servica, updated daily, at a premium rate. Again, you will need a fax machine. The 18 specialist lines include ooe on fixed-rate re-mortgages and another on first-time buyer deals.

The cost could be £2 to £5 depending on the length of the fax. You can get details of the different numbers to ring from the Cityline help desk. A similar service for savings rates is being developed.

■ **Individual institutions**
Some organisations operate information lines, most with Freephone (0800) numbers. But you will, of course, be given details only for in-house products. Even so, savers often have their own reasons for choosing or sticking with a particular organisation.

**MoneyFacts: Laundry Loke, North Walsham, Norfolk NR28 0BD, tel. 0692-500 665); Blay's: 0753-880 482; Chase de Vere's Moneyline: 0800-526 091; Which? Moneyfax: 0839-800 500; FT Cityline: 071-873 4387. (Premium rate 'phone lines cost 49p a minute or 39p at the cheap rate).*

Information lines: Abbey National 0800-555 100); Bradford & Bingley 0274 555 332; Britannia 0800-252 579; C&G: savings 0800-717 505, mortgages 0800-272131; Leeds 0645-215 216 (calls charged at local rate); Nationwide 0800-400 417; N&P 0800-808 080; Woolwich 0800-400 900).

What you should ask

■ *Is your account paying the highest rate?* Not many people would turn down the chance of receiving £1,000 for doing almost nothing – but such a boost is available to Lloyds customers who have deposited £50,000 in the bank's 90-day notice account. If they switched their money to the equivalent account offered by National Counties building society, they would earn an extra 2 per cent interest a year. But if a smaller, less familiar institution has no attraction, how about tha Woolwich? Even this building society would pay £800 more than its high street rival.

■ *How safe is the institution?* While higher rates don't always mean higher risk, they often can. Be wary of unfamiliar names. Some investors may prefer to avoid smaller institutions, especially banks where there is a greater risk of failure and loss.

■ *Can I get compensation?* Yes, but it is limited. The Deposit Protection Scheme for banks will cover only 75 per cent of the first £20,000 – in other words, a maximum of £15,000.

The protection scheme for building societies will guarantee to repay 90 per cent of the first £20,000.

One way round this could be to spread your money between different institutions.

■ *Instant access or notice account?* Higher rates tend to be paid on accounts requiring the longest notice but this is not always the case. See if you can strike a balance to find a rate which is both very competitive but also instant access. Postal accounts are a good start.

■ *Keep a regular check.* Once you have tracked down the right account, you will need to keep an eye on it. Today's thoroughbreds have a nasty habit of becoming tomorrow's also-rans.

A.B.

FINANCE AND THE FAMILY

No interest in a Tessa

I took out a tax-exempt special savings account (Tessa) with the Co-operative Bank when they were launched. The interest rate then was 14 per cent with a 1 per cent bonus if kept for five years.

Recently, the bank sent me a newsletter which included details of all its interest rates. The Tessa is now just over 5 per cent.

That was bad enough; worse was the statement that if you pull out capital before five years, you lose all the interest. I rang the bank and asked if this was true; when told it was, I immediately stopped my standing order.

I have never touched the interest. If I withdraw that and then close the account, could the bank deduct the equivalent interest from my capital?

■ With regard to the withdrawal of capital from your Tessa: it is true that any withdrawal within the first five years will lead to a loss of all tax advantages.

There is no pro-rata relief if any sum of the capital is withdrawn.

Furthermore, any interest credited up to the date of the withdrawal will become taxable income for the year in which the withdrawal takes place.

There is, however, a facility to withdraw interest from the account without invalidating the tax-free status. These withdrawals must not exceed the full amount of interest credited to date, less basic-rate income tax.

The reasoning behind this is to place depositors in a similar position to what they would have been had they placed their funds outside a Tessa and received interest net of tax. When the five-year period has ended, the balance of interest can be taken out without penalty.

As long as the depositor adheres to the relevant limits, there will be no income tax to pay, even on the interest withdrawn. *(Answer by Murray Johnstone Personal Asset Management).*

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

Incompetent solicitors

My wife and I bought our main residence in Billericay, Essex, in November 1987 for £210,000. As our main residence it is, of course, exempt from capital gains tax.

In April 1993, we purchased a flat in London. It is our understanding that, within two years of the second purchase, we must declare which of these properties will be our main residence for CGT exemption purposes. If we opt for the London flat, can we index-link the price of the Billericay house from the date of purchase in 1987, or does the indexation apply from April 1993 only?

Also, would we need to have the house valued at that time if indexation is applicable from April 1993?

■ Your solicitors – who appear to be incompetent – should have suggested that, at the very least, you ask your tax office for CGT4, the free explanatory pamphlet for owner-occupiers. You should now do just that.

You will see from the CGT4 that indexation on both properties runs from their respective purchase contract dates; thus, the value of the Billericay house in April 1993 is irrelevant.

Company failure

I have been attempting, without success, to establish what has happened to the shares of a company called EIT Group plc.

■ Shares in EIT Group plc were suspended on February 3 1993 and the company went into administration in May 1993. *(Murray Johnstone).*

Your CGT

The table shows capital gains tax indexation allowances for assets sold in June.

Multiply the original cost of the asset by the figure for the month in which you bought it. Subtract the result from the proceeds of your sale; the balance will be your taxable gain or loss.

Suppose you bought shares for £6,000 in September 1985 and sold them in June 1994 for £13,000. Multiplying the original cost by the September 1985 figure of 1.516 gives a total of £9,096.

Subtracting that from £13,000 gives a capital gain of £3,904 which is within the CGT allowance of £5,800. If selling shares bought before April 6 1982, you should use the March 1982 figure. The RPI in June was 144.7.

The Budget decision that indexation cannot be used to create or increase losses for shares sold after November 29 1993, has been modified for £10,000 of transitional relief.

CGT INDEXATION ALLOWANCES: June 1994

Month	1982	1983	1984	1985	1986	1987	1988
January	-	1.752	1.668	1.587	1.503	1.447	1.401
February	-	1.744	1.659	1.574	1.498	1.441	1.395
March	1.821	1.741	1.654	1.559	1.496	1.438	1.390
April	1.786	1.717	1.632	1.527	1.482	1.421	1.368
May	1.773	1.710	1.626	1.520	1.479	1.420	1.363
June	1.768	1.706	1.622	1.517	1.480	1.420	1.357
July	1.767	1.698	1.624	1.519	1.484	1.421	1.358
August	1.767	1.689	1.609	1.515	1.479	1.417	1.341
September	1.768	1.681	1.606	1.516	1.472	1.413	1.335
October	1.759	1.675	1.598	1.514	1.470	1.408	1.321
November	1.751	1.670	1.591	1.509	1.457	1.399	1.315
December	1.754	1.665	1.592	1.507	1.453	1.401	1.312

Month	1989	1990	1991	1992	1993	1994
January	1.304	1.211	1.111	1.067	1.049	1.024
February	1.294	1.204	1.105	1.062	1.043	1.018
March	1.289	1.192	1.101	1.059	1.039	1.015
April	1.266	1.157	1.087	1.043	1.029	1.003
May	1.258	1.147	1.084	1.039	1.026	1.000
June	1.254	1.142	1.079	1.039	1.026	
July	1.253	1.141	1.081	1.043	1.026	
August	1.250	1.130	1.079	1.042	1.024	
September	1.241	1.119	1.075	1.038	1.020	
October	1.231	1.111	1.071	1.034	1.020	
November	1.221	1.113	1.067	1.036	1.022	
December	1.218	1.114	1.068	1.040	1.020	

Source: Inland Revenue

NEW UNIT TRUST LAUNCHES

Manager (Telephone)	Sector	Target Yield %	Full PEP Qual	Savings Schemes Avail.	Charges outside PEP – Initial %	Charges outside PEP – Annual %	Charges outside PEP – Other %	Minimum Invst. £	Charges inside PEP – Initial %	Charges inside PEP – Annual %	Charges inside PEP – Other %	Minimum Invst. £	Special offer – Discount %	Special offer – Period
■ **Southern Africa Fund**														
Save & Prosper (0800 282101)	Int Equity growth	0	No	Yes	5.5	1.5	No	1,000	n/a	n/a	n/a	n/a	*	9/7/94-29/7/94

The fund will also invest in Botswana and Zimbabwe; these are volatile markets and S&P advises a maximum 5 per cent holding in a growth portfolio.

**1 percentage point discount on £1,000-£2,999; 2 points on £3,000 or more; 2 points until July 1995 through monthly savings plan.*

NEW INVESTMENT TRUST LAUNCHES

Manager (Telephone)	Broker	Sector	Warrants	Targets – Size £m	Targets – Yield %	PEP Qual?	Savings Scheme	Issue Price p	Minimum NAV p	Outside PEP – Minimum Invst. £	Outside PEP – Annual Charge %	Inside PEP – Minimum Invst. £	Inside PEP – Annual Charge %	Offer Period
■ **INVESCO Japan Discovery**														
INVESCO Asset management (0800 010333)	Panmure Gordon	Japan	1:5		n/a	No	Yes	100p	95.1p	1,000	1%	n/a	n/a	14/7/94-29/7/94

Specialising in Japanese smaller companies, to be run by manager of Invesco's Japan Smaller Companies unit trust

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Birmingham Midshires BS	First Class	0645 720721	Postal	£500	5.00%	Yly
Bradford & Bingley BS	Direct Premium	0345 248248	Postal	£1,000	5.40%	Yly
Skipton BS (wef25.7.94)	3 High Street	0756 700511	Instant	£2,000	6.10%	Yly
Nottingham BS	Post Direct	0602 481444	Postal	£25,000	6.60%	Yly
NOTICE A/cs and BONDS						
Exeter Bank	9 Day Call	0392 50635	9 Day	£1,000	6.00%	Yly
City & Metropolitan BS	Super 60	081 464 0814	60 Day	£10,000	6.40%	Yly
National Counties BS	90 Day	0372 742211	90 Day	£50,000	7.15%	Yly
Yorkshire BS	Fixed Rate Bond	0800 378836	30.6.98	£5,000	8.50%F	Yly
MONTHLY INTEREST						
Britannia BS	Capital Trust	0538 391741	Postal	£2,000	5.37%	Mly
Confederation Bank	Monthly Income	0438 744500	30 Day	£2,000	5.85%	Mly
Scarborough BS	Scarborough 94	0800 590578	90 Day	£25,000	6.75%B	Mly
Yorkshire BS	Fixed Rate Bond	0800 378836	30.6.98	£5,000	8.65%F	Mly
TESSAs (Tax Free)						
Confederation Bank		0438 744500	5 Year	£8,900	8.00%F	Yly
Hinkley & Rugby BS		0455 251234	5 Year	£3,000A	7.35%	Yly
Melton Mowbray BS		0664 63937	5 Year	£1	7.20%	Yly
Nottingham BS		0602 481444	5 Year	£1	7.15%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Halifax BS	Asset Reserve	0422 335333	Instant	£5,000	4.50%	Qly
Caledonian Bank	HICA	031 556 8235	Instant	£1	4.75%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	6.00%	Yly
				£25,000	6.25%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey Ltd	International	0481 715735	Instant	£500	5.75%	Yly
Portman Channel Islands	Instant Gold	0481 822747	Instant	£20,000	6.20%	Yly
Confederation Bank (Jrsy)	Flexible Inv	0534 608060	60 Day	£25,000	6.80%	Yly
Confederation Bank (Jrsy)	Invstment Cert	0534 608060	5 Year	£10,000	8.25%F	Yly
GUARANTEED INCOME BONDS (Net)						
Liberty Life		081 440 8210	1 Year	£10,000	4.90%F	Yly
Consolidated Life		081 940 8343	2 Year	£2,000	5.60%F	Yly
Consolidated Life		081 940 8343	3 Year	£2,000	6.50%F	Yly
Consolidated Life		081 940 8343	4 Year	£2,000	7.00%F	Yly
Eurolife		071 454 0105	5 Year	£10,000	7.75%F	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	5.25%G	Yly
	Income Bonds		3 Month	£2,000	6.50%H	Mly
	Capital Bonds H		5 Year	£100	7.25%F	OM
	First Option Bond		12 Month	£1,000	6.00%R	Yly
	Pensioners GIB		5 Year	£500	7.00%F	Mly
NAT SAVINGS CERTIFICATES (Tax Free)						
	41st Issue		5 Year	£100	5.40%F	OM
	7th Index Linked		5 Year	£100	3.00%F +Infln	OM
	Childrens Bond F		5 Year	£25	7.35%F	OM

This table covers major banks and Building Societies only. All rates (except those under heading Guaranteed Income Bonds) are shown Gross. F = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. P= By Post only. A = Feeder account also required. B= 7 day loss of interest on all withdrawals. G= 5.75 per cent on £500 and above; 6 per cent on £25,000 and above. H= 6.75 per cent on £25,000 and above. I= 6.40 per cent on £20,000 and above.Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain an introductory copy by phoning 0692 500677.

A guide to the lenders

For information on the many organisations which operate as building societies, a browse through the Moneyfacts Building Society Directory* is instructive.

Covering all 84 societies, it shows the full range of the sector – from the mighty Halifax to the small societies which lend mainly within walking distance of their head offices.

It also includes a new feature detailing the disappearance of societies through mergers. If you have been kept awake at nights wondering what became of the Magnet & Planet or the Kent Reliance, this is the volume for you.

For existing societies, the directory gives year-end balance sheets along with some other key financial statistics. Information about subsidiaries and available banking services also is provided, along with details of auditors, solicitors and relationships (if any) between societies and life insurance companies.

What the book does not do is set out all the statistical information – including addresses for each branch – to be found in the Building Societies Yearbook (published by the Building Societies Association), or analyse how each of the larger societies performed against its competitors (the basis of the UBS Building Society Major Players annual survey).

Still, at £19.95, it is much cheaper than either BSA (£55 for the latest edition) or UBS (almost £200 last year).

Perhaps next time, though, it could include the range during the year of the rates paid to, or by, existing savers and borrowers as well as the best and worst deals offered to new customers.

Alison Smith

**Available from Moneyfacts Publications, Laundry Loke, North Walsham, Norfolk NR28 0BD (0692-500 765).*

Minding Your Own Business

The right direction

Edinburgh Financial Publishing was a success from the word go. According to Jeremy Salvesen, its co-founder: "It is the only business I've known where one put in an amount of capital on day one and never for a single day was the bank balance less than the capital."

The company started life in 1990 as Directus. Angus MacDonald, a 26-year-old fund manager in Edinburgh, had, like others, ooticed that when directors of a quoted company bought or sold its shares this ofteo signalled it was a good time for others to follow suit.

A company in Birmingham named BRI had long provided a rudimentary service mailing hrokers and fund managers with details of these transactions based on stock exchange announcements. MacDonald had the idea of providing a better, computer-based service, and took it to Salvesen, a computer expert.

"Angus used to come to me with ideas on a regular basis," says Salvesen, aged 30. "This struck me as a good ooe and would combine my computer skills with his as a salesman."

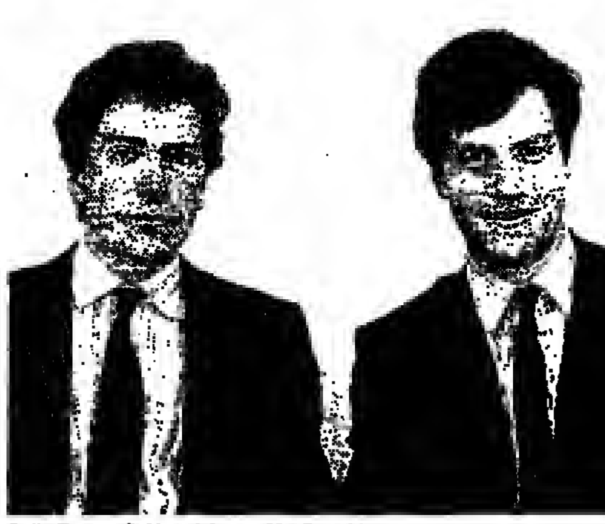
Directus would fax customers with full details of directors' dealings within hours of the announcement. It entailed creating a database that would enable it to put the transactions in context.

"The actual transaction is meaningless if you don't know the background," says Salvesen.

"A director may sell £10,000 worth of shares but keep £1m, or he may be selling to fund a divorce settlement. We would get details from the company and fax customers a graph showing the share price with previous directors' dealings marked in."

The two men began Directus from a large cupboard in Salvesen's office in Edinhurgh. Salvesen says it did not actually need start-up capital because clients would bny a year's subscription in advance. However, to indicate their commitment each of them put in £10,000.

While Salvesen processed the information and issued the faxes, MacDonald, who had earlier served a short commission in the army and is described by some as a "selling machine", toured brokers, signing them up to the service, for which Directus was asking twice as much as BRI was charging.



Colin Rogers (left) and Angus MacDonald

It was an immediate success. Directus met its first year's sales target in three months and within a year had acquired BRI. In its first 10 months of trading, turnover was £137,000; a year later it had reached £437,000.

James Buxton reports on a business which succeeded from day one

Directus began contributing a weekly summary of directors' dealings to the *Weekend FT*, and still does. And it produces weekly and monthly editions of a newsletter, *The Inside Track*, for private investors.

Colin Rogers, a stockbroker, has joined the company and Salvesen has left to buy Duncans of Scotland, a chocolate bar maker, becoming non-executive vice chairman of EFP under MacDonald.

The directors' dealings service now makes up only about 10 per cent of the turnover of Edinburgh Financial Publishing, the company's new name. Turnover reached £2.2m in the year to March and its flagship product today is the *Estimate Directory*.

Fund managers had grumhled to MacDonald about the immense volume of research material poured ont by analysts which they were expected to digest daily. The company came up with a summary of brokers' profit forecasts, listed by company and updated every month with changes highlighted.

Some 300 subscriptions to the *Estimate Directory* were sold before the first edition went to press and it now sells more than 2,500 subscriptions a year. It competes with two online services, but MacDonald says many brokers prefer looking up the data in a book.

Soon, said Rogers, brokers were crying out for directories covering other markets. EFP decided to start with the Pacific Basin, an English-speaking area with strong market potential. It recognised that the main market for the new directory would be in the region itself.

MacDonald went to Hong Kong in late 1992 with 30 copies of the first issue of EFP's *Estimate Directory – Pacific Basin*, covering more than 1,000 companies in Hong Kong, Singapore, Malaysia, Thailand, Australia and New Zealand.

"Within two months it had taken Hong Kong by storm," Rogers says. MacDonald recruited a salesman and started selling in Singapore, Malaysia and Thailand. He also found pleotiful new publishing opportunities in the Far East.

EFP (Asia) now produces a daily digest of the business press in Pacific countries, which is compiled in English at dawn each day, and faxed to brokers and investors in the area and in Europe.

The Hong Kong company recently launched a handbook of Hong Kong companies, and is working on handbooks for Singapore and Malaysia.

Meanwhile the Edinburgh operation, run by Rogers, launched *The Estimate Directory – Europe*, covering European companies, and recently opened a sales office in Paris. It now has one in New York and is working on ways of delivering its services electronically.

What strikes one about EFP is its can-do mentality and its youth. Its oldest director is 33. Its sales staff work on commission and offer ingenious discounts. When it celebrated the opening of new offices in Edinburgh a few mooths ago virtually none of the old guard of the Scottish financial community was in evidence.

It now employs about 25 people in Edinburgh and a similar number in Hong Kong. Its Hong Kong turnover is expected more than to double from £650,000 in 1994 to £1.3m in 1995, while its UK sales should grow from £1.56m to £2.2m.

Nevertheless, MacDonald says a stock exchange quotatioo for EFP is a long way off. "I'd love to run a quoted company but the only reason to do so would be to make acquisitions. We can't find anything that isn't very expensive and the stock market doesn't give small companies proper treatment."

■ *Edinburgh Financial Publishing, 16 Randolph Crescent, Edinburgh EH3 7TT. Tel: 031-220 0468.*

■ Directors' transactions, Page IV

Dr, about this alien...

An anti-rational boom is sweeping America and, suddenly, I do not feel I missed out on the 1960s. Recently, four of the 10 best-selling books were on themes of near-death experiences, spirituality, and the immortality of love and consciousness.

Psychics and palmists' salons are proliferating and weighty magazine articles are questioning memory, some even denying the Holocaust. Men and women are seeking happiness through wonder drugs such as Prozac and are forming electronic communities on internet with people they have never seen.

It was just a matter of time before someone added unidentified flying objects to this potent mix. Recently, book store displays were joined by a weighty tome about little grey aliens with blank eyes abducting large numbers of Americans and forcing them to have sex inside spaceships, followed by lectures on ecology.

It would be easy to dismiss *Abduction* (published in the UK and US hy Scribners) as crazy except for one detail. Dr John Mack, its 64-year-old author, is an eminent Harvard professor and psychiatrist and winner of the Pulitzer prize for his previous book, a biography of T.E. Lawreoce. He used clinical methods to interview 90 people who claim to have been abducted (13 appear in the book). And he believes them.

Or so he says. On a sunny spring morning in Cambridge, Massachusetts, I met Mack inside a wooden box of a house with a yard full of tangled weeds. Tired from appearances on such talk shows as Oprah Winfrey and Larry King, he asked about the FT's circulation before settling on a pink velvet chaise longue to tell how he moved from scepticism to believing in large-scale cosmic rspe.

According to the publisher's hype, one in 50 Americans has experienced an alien encounter. Mack was introduced to the phenomenon by Budd Hopkins, a New York-based artist and father of the UFO abduction movement, whom he met in January 1990. Hopkins told him of more than 200 people across the US who had, apparently, been kidnapped by aliens.

Mack recalls: "My first reaction was that there must be something wrong with him and that he was dealing with some contemporary form of mental illness. But I met the people and they were of sound mind, telling their stories reluctantly, scared of being ridiculed.

"Their stories were so similar, and told with such intensity and detail, that they could not be explained psychiatrically. It could only be real experience. That shook me up. If it's real, what is it?" He began seeing abductees in spring 1990 and says that only a handful of the 90 he has interviewed have some form of mental illness or effects of a trauma.

Christina Lamb meets an eminent Harvard professor who believes that large-scale cosmic rape has been taking place on earth

In his book, he details a handy do-it-yourself guide on how to recognise when you are experiencing an alien abdoction and not simply the effects of overwork or excess alcohol. Abductions usually begin at home in bed or while driving at night. The first sign is a flood of blue or white light, an odd hum or sighting of a being or craft. A beam of light then floats you through the wall into a spaceship.

In a large room, lined with flashing computer consoles, small grey beings with large heads and long arms undress the abductee and remove hair, skin and sperm samples. Female abductees are often impregnated and the foetus later removed.

Mack's book quotes Ed, who remembers a silver-bloode alien woman taking a sperm sample from him inside a "pod" while at high school 30 years earlier; Dave, who as a child had his pants removed behind a bush by aliens; Jenny, who gave birth to a human alien hybrid; and Peter, who had an alien wife in a "parallel universe".

These are aliens with a purpose – to save us from ourselves. After being raped or examined, abductees are lectured on how mankind is destroying the earth. Images, given either telepathically or through giant screens, show vast areas of polluted water or parts of the planet disintegrating.

If the true motive of the little grey men is to turn us green, why are they not appearing to world leaders or those who could do something to ward off this impending ecological catastrophe?

Mack claims they are. "Prestigious people are worried about their reputations so they don't want their identities revealed. We have good evidence that one world leader, at least, has been taken. We've talked to him and he doesn't deny it."

He adds: "I have patients from all walks of society. A prison guard and female gas station attendant, at one end of the spectrum, to a prominent husiness executive, high-level diplomat and someone running for Congress at the other."

The first known ahduction case was in 1957 in Brazil, a country with a fine line between reality and fiction. In the US, the first documented casa occurred in 1966. Betty and Barney Hill, a retired couple who had got lost one night in the White Mountains of New Hampshire, underwent hypnosis and "remembered" being kidnapped by aliens. Their experience led to books, films and TV dramas.

Abduction appears to ba almost entirely a US phenomenon. Mack says this is simply because the country bas a large number of trained psychotherapists to help people "remember". But there is much controversy at present over aggressive, memory-enhancing techniques used by therapists to "recall" events so traumatic that, apparently, they had been repressed.

A California court recently awarded $500,000 (£329,000) to a father who accused therapists of conning his bulimia-afflicted adult daughter into "remembering" childhood incidents of incest that he said had never occurred. As a result of her charges, the man lost his job and his wife.

Mack gives little detail on his methodology except to say that it involves hypnosis and breathing techniqnes. He writes that "memory of an abduction may be outside of consciousness until triggered" and sweeps away suggestions that his subjects were people already familiar with UFO literature.

"These are real powerful emotions from the core of their being," he says. "We can't invent memories like that. Furthermore, there are physical findings – cuts, scoop marks, lacerated and triangulsr lesions, implants and inexplicable nose-bleeds. Accounts of abductions often coincide with other reports of UFOs in the vicinity." He adds: "Maybe the phenomenon is mysterious and has no place in our world view. But it's not false.

"The problem is with western culture, which is just not ready to accept the idea of life on other planets. Other cultures, lika native American and Buddhist, don't have problems with this. But we have hecome so arrogant that we don't want to think we are not in control. No other people in the history of mankind has been so denying of the existence of other intelligence."

That said, he rubs his blue eyes and says: "I think you've got enough there," before moving wearily on to the next interview. Even aliens, it seems, need publicity.

FT Ski Expedition/**Arnie Wilson**

Where only the rain is free

Arnie Wilson and Lucy Dicker are trying to ski every day of 1994 on a round-the-world expedition. This week in Argentina they completed 200 days.

It has scarcely stopped raining since we limped into Argentina in our borrowed Lada vehicla, which seems to be working on one cylinder and half a gearbox.

Skiing conditions here have been abysmal: like skiing oo frozen meringues in a monsoon. Heini Kempel, director of the Escquela Esqui Catedral, the main ski school at Gran Catedral, the ski area of Bariloche, was frantic: "Conditions are terrible," he said. "They have had to close most of the top half of the mountain because of high winds and rain. We are in big trouble."

But our welcome has been as warm as the weathsr has been wet. The scenery too is magnificent: no volcanoes in this part of the Andes, but a spectacular lake, Nahuel Huapi (Island of the Tiger, in the language of the Araucano indians).

The only drawback is the cost of everything: Argentina can be almost as expensive as Japan. Only the rain is free.

The Cerro Bayo resort is the brainchild of Jean-Pierre Raemdonck, a lanky, bespectacled Belgian who came to Argentina as a studeot on a motorcycle and never left. He tried selling waffles in Bariloche but was unable to secure his own waffle concession.

"So I decided to build my own ski area in order to sell my waffles," he said. With no experience (he could not even ski) he hacked his way through dense forest, using oxeo to clear the trails.

"I put the second lift together on my own," he said. "Well, I had a helper but he got drunk all the time. We could only afford tha lifts, but not the lift towers. We made a bull-wheel from an old motorbike and made our own towers from trees. They lasted for years."

His resort has developed into a minor gem.

Perhaps he could repair our Lada's tortured gearbox. Even our Hewlett Packard OmniBook computer has started disrespectfully urging me to "Get Help or Start Interactive Lessons".

Perhaps like Hal, the spaceship's computer in the film *2001*, it is trying to take over our mission.

The legacy of Stauffenberg

***Giles MacDonogh** looks at the attempt to kill Hitler – and its lasting impact 50 years on*

Count Colonel Klaus Schenk von Stauffenberg left the Berlin suburb of Wannsee for the military airport at Rangsdorf at 7am on the morning of July 20 1944. His adjutant, Werner von Haeften, was waiting for him. Together they flew to Hitler's HQ, the so-called Wolfschanze, or Wolf's Lair, at Rastenburg in East Prussia.

Count Stauffenberg was chief of staff to General Friedrich Fromm, bead of the Replacement Army. In theory, Stauffenberg was flying to Rastenburg to arrange the ereation of two new divisions to protect East Prussia, Germany's eastern-most province, from imminent Russian attack.

In fact, his mission was to assassinate Hitler, a plan that had been years in the making, and his briefcase contained 4lb of explosive.

At the briefing, Stauffenberg sat close to Hitler and placed his briefcase under the table. Soon after, he left the room.

He and Haeften heard the explosion as they got into their car and could see a plume of smoke rising from the bunker. By 1.15pm, Stauffenberg was Berlin-hound and convinced that the bomb had done the trick.

But Hitler was not dead: his eardrums had been pierced, his trousers shredded and his elbow badly bruised, but he had survived.

Confused reports reached Berlin. General Fellgiebel, the signals' chief, was able to call his fellow conspirator Colonel Kurt Hahn in nearby Mauersdorf before a communications blackout was imposed: "Something's gone wrong," he said, "the Führer's alive."

Reports that Hitler had emerged unscathed from the dehris caused the conspirators to dither in the Bendlerblock HQ in Berlin, from where they were supposed to issue the Walküre orders – orders which would have led to the takeover of the government and a negotiated peace with tha allies. The delay scuppered any remaining chances of success.

By the time Stauffenberg reached the Bendlerblock at about 3.30pm, Fromm had discovered from Field Marshal Keitel, who had also survived the blast, that Hitler had survived. When Stauffenberg arrived, Fromm told him the news. But Stauffenberg was adamant: "He is dead. I saw him carried out ... The explosion was as if the hut had beeo hit by a 6in shell. It is hardly possible that anyone could be alive ... Keitel is lying as usual." Concerned, Fromm refused to co-operate with the plotters and was arrested and taken away.

According to the Walküre orders, the administrative centre of Berlin was to be sealed off by the guards battalion and troops from the training schools on the edge of the city.

The plot still counts for something in Bonn and appears to be a useful entry on a curriculum vitae

Outside the Bendlerblock, other conspirators, including the young Rhodes scholar, Adam von Trott zu Solz of the foreign office in the Wilhelmstrasse, realised the attempt had taken place when they saw Berlin's centre closed off by guards.

He watched the street anxiously from the window. To his relief the traffic ceased and soldiers appeared. But three hours later, they shouldered arms and marched off.

Hans Bernd von Haeften, brother of Stauffenberg's adjutant, was not slow to draw the obvious conclusion that the Nazi forces had regained control. He turned "as white as a sheet".

The Nazis survived thanks to Joseph Goebbels and Major Ernst Remer of the guards battalion. Goebbels convinced Remer to speak to Hitler on the telephone. Hitler pnt Remer in charge of operations against the conspirators and promoted him on the spot. Later Remer would repay his trust by founding one of Germany's first, post-war neo-Nazi parties.

Remar's men stormed the Bendlerblock. In the fray Stauffenberg was shot twice and wounded. It was Fromm, released from captivity, who arrested the ring-leaders. At 12.30am the conspirators were taken to the courtyard to be shot. As Stauffenberg passed a familiar secretary he said: "They all left me in the lurch." As he was led before the firing squad, the faithful Haeften tried to throw himself between Stauffenberg and the bullets.

"Long live our sacred Germany," shouted Stauffenberg. Then he collapsed and died.

The assassination attempt of July 20 1944 was the fruit of plans laid in the autumn of 1938. Colonel General Ludwig Beck had resigned as chief of the general staff in protest at Hitler's plans to invade Czechoslovakia. His civilian counterpart was Carl Goerdeler, the indefatigable former mayor of Leipzig.

In the intervening years the conspiracy brought together a powerful cadre of anti-Nazis – noblemen, officers, churchmen, trades unionists, socialist politicians, diplomats and civil servants. Goerdeler busied himself with the structure of the future government and drew up detailed lists of its potential members.

These lists were to be the downfall of many. Of the 5,000 or so people executed after July 20, only about 200 were actually implicated in the plot. The rest were simply prominent opponents of the regime: the core of a future Germany. The purge was to be one last great act of spite, a final attempt to prevent Germany's post-war reconstruction. The SS was still murdering prisoners as the Russians entered Berlin.

Officially, little mention was made of the plot before the creation of the two German republics in 1949. The first time it was celebrated was in 1953, just a month after an abortive uprising in the Russian zone of June 17. The few east Berliners who fled to the west were encamped in the courtyard of the Bendlerblock, and it was there that the mayor, Ernst Reuter, chose to remind them of the martyrs of that earlier revolt against dictatorship.

Since the mid-1950s the July plot has been marked by a ceremony at Plötzensee prisoo in Berlin, where many of the men of July 20 met their deaths.

But despite the hundreds of books which have been published on the subject, little is made of it in schools.

Clarita Müller-Plantenberg, only a few months old when von Trott, her father, was executed at Plötzensee, recalls that the girls at school treated her differently. Many had lost fathers in the war, hut they knew that she was special: "They thought I must be Jewish and stayed off the subject." Later she remembers a teacher blushing to admit that be approved of the men of July 20 and what they stood for.

In a number of cases there was a reluctance to honour the dead of July 20 in their hometowns and villages. Von Trott's brothers erected an impressive cross in the woods above the family manor house at Imshausen, but in the village church the verger resisted the idea of a monument.

It was the mid-1980s before von Trott's name appeared in tha church, and then only as part of a general plaque commemorating the dead of the second world war. There were still a few Germans who saw the plotters as traitors.

There was also a natural tendency to see the leaders of the coup as a last flnwering of another Germany, no longer relevant to either of the two states created after the war. The romantic history focused on the aristocratic officers rather than the civilians of the plot.

The *Grundgesetz* of 1949 was to reaffirm the Weimar constitution's Article I which abolished nobla titles. The new Bundeswehr was also established with the expressed desire to rid the armed forces of all coonection with the Prussian military tradition. Prussia itself, which had supplied much of the core of the resistance, was rudely robbed off the map in February 1947, its eastern provinces being parcelled out among the Russians and the Poles.

It can be safely said that Stauffenherg's "sacred Germany" bore little or no resemhlance tn either the Federal Republic or the Democrstic Republic.

But the plot still counts for something in Bonn and appears to be a useful entry on a *curriculum vitae*. President Richard von Weizsäcker, for example, donbtless derived credibility from his fatber Ernst. While be was at tbe helm of the foreign office, it was barely tainted with Nazism, and many of his protégés went on to become ambassadors after the war.

For von Trott's widow, also named Clarita, July 20 is more important than ever now that the two halves of Germany have heen united. With the increase in racial violence she feels that the young need role models who will teach them how to react to blatant injustice.

But perhaps the real proof that German politicians still feel the need to show themselves the beirs to Stauffenberg, Beck or Goerdeler is provided by Helmut Kohl, the German chancellor himself. On July 20 of this election year he decided that be alone would enjoy the right to address the faithful in the grim execution chamber at Plötzensee Prison.

Stauffenberg [right]: his 'sacred Germany' bore little resemblance to what followed the war — Bundesarchiv

■ *Giles MacDonogh's* Prussia. The Perversion of an Idea, *was published this week by Sinrlair-Stevenson (£20). There is o paperback edition of his book,* A Good German: Adam von Trott zu Solz, *from Quartet (£10.99).*

Survivor waits to be made welcome

***Maurice Samuelson** talks to an anti-Nazi conspirator who has been fighting for justice for 40 years*

Instead of attending Berlin's 50th anniversary of the bid to kill Adolf Hitler, one of the leading survivors nf the conspiracy remained this week in self-imposed exile from his beloved Germany.

Dr Otto John, 85, told me he spent the day looking out at the spectacular mountains of the Austrian Tyrol, his home for the past 27 years.

As a result of a stroke he can no longer walk and can write only with great difficulty, leaving him dependent on his secretary, the housekeeper who comes every day, and on his gardener.

Bnt this is not why be stayed away from the Berlin ceremony.

It was because, instead of being one of the acclaimed heroes of Germany, John has for the past 40 years been an unperson, a political embarrassment to the Federal Republic and, in the eyes of many, victim of a terrible miscarriage nf justice.

Five years after the war he was appointed the first president of the Federal Republic's Office for the Protection of the Constitution, a sensitive intelligence unit intended tn connter a resnrgence of Nazism and Communist subversion.

On July 20 1954, the 10th anniversary of the anti-Hitler plot, John attended the commemoration of the plot in Berlin. Later that day he disappeared and turned up in the Soviet sector of the city, where he criticised trends in West Germany, including the lingering inflnence of the Nazis.

He has claimed ever since that he was drugged and kidnapped as part of a Soviet operatinn to destabilise the west and that his remarks were made under duress. He also insisted that he had betrayed no state secrets.

That was his plea when, 18 months later, he escaped back to the west. He was tried for treason and sentenced to four years hard labour, double the term demanded by the prosecuting counsel at the high court in Karlsruhe.

For 40 years, John has maintained his innocence and claimed his treatment by the court was influenced by a desire to punish him for his role in the anti-Hitler underground and hy the fact that while others were executed after the failure of the plot, he had survived to continue the fight against Hitler.

Dr Otto John in 1950: today he is an 'unperson' — Hulton Deutsch

General Reinhard Gehlen, former Nazi and head of the Federal Republic's counter-intelligence network set up after the war by the Americans, said of John's apparent defection to east Berlin: "Once a traitor, always a traitor."

After bis release from prison, his reputation in tatters, John set out to clear his name. As far as public opinion is concerned, he largely succeeded.

Leading politicians, such as tbe late Defence Minister Franz-Josef Strauss, and Dr Gerhard Schroeder, a former interior and foreign minister, accepted that John was a victim, rather than a collaborator of the Soviets, and that he had not betrayed his country.

But three times, John failed to overturn the judgment of the Karlsruhe court. He vowed that until he succeeded be would never again attend a commemorative meeting for the heroes of the July 20 conspiracy.

In Moscow last year, however, John met two of the former KGB officers who bad interrogated him in Berlin and Moscow immediately after his disappearance.

They have since made sworn affidavits at the German embassy in Moscow indicating he was not a defector hut that he had been abducted by agents of the KGB as part of the cold war.

Two weeks ago, a lawyer acting on John's behalf incorporated their statements in a oew application to bave the case reopened.

If the court agrees, there is a chance that John's reputation will at last be vindicated and he will no longer feel an outsider in his own country.

"I hope that the new generation of German judges will be different from the ones who first sentenced me," he said on the telephone this week.

Meanwhile, there is no controversy about his role in the events of July 20 1944 and in the struggle leading to Hitler's final overthrow.

A few hours after the bomb went off in Hitler's field headquarters at Rastenburg on the morning of July 20, John was personally briefed by the man who had laid it near Hitler's feet – Connt Colonel Klaus Schenk von Stauffenberg.

John had been in touch with leading anti-Nazis since 1937. His friends included Klaus and Dietrich Bonhoeffer, two of the leading martyrs of the German resistance.

From 1942, John had used his position as legal adviser to Lufthansa, the German airline, to act as the German resistance's liaison with British intelligence. (The MI6 officer who evaluated it in London was Graham Greene, according to the new biography published this week, *Graham Greene, The Man Within*, by Michael Shelden, Heinemann.)

Immediately after the events of July 20 1944, John escaped first to Spain and then, via Lisbon, to Britain, where he aided the BBC's anti-Nazi propaganda, interrogated high-ranking German prisoners of war and, later, assisted the prosecntors at Nuremberg.

However, in an ominous foretaste of John's later maltreatment by the Soviets, his entry to Britain was resisted by Soviet master-spy Kim Philby, who was Graham Greene's boss in MI6's Iberian Departmeot. Stalin suspected that any contacts between Britain and the anti-Hitler resistance could have led to a separate peace between Germany and the west. During his 18 months of captivity in the Soviet Union be was repeatedly questioned about the possibility of such e deal.

John's main new Moscow witness, regarding the events of 1954, is ex-KGB General Eugen Panyushkin who, Jnhn says, interrogated him in Berlin and Moscow. At that time, Panyushkin used the cover name "Chernov".

Bnt be is not sure that his appeal, if held, will succeed, and because of bis age be would probably be dead by the time that happened. "I have had many disappoiotments over the years," he said.

Today, John's strongest supporter, and closest friend, is 86-year-old Prince Louis Ferdinand, head of the Prussian former royal family. If the court allows his new appeal, John is expected to stay at the prince's home in Berlin during the court hearings.

Dispatches/**Pushkar, India**

Hare Krishna and banana shakes

***Mark Hodson** hangs out in a hippy-filled corner of Rajastan*

A teenage girl with wide eyes and pierced nose was being led hy one arm down to the holy lake. A bearded *sadhu* with a bare chest pressed flowers, sweets and a few grains of rice into her hand. "This is the ancient *puja* ceremony," he said, thumbing a red dot on to her forehead.

"It's so cool," said the girl, who was called Caroline and was spending a year in India before her first term at Oxford.

"Repeat after me," said the holy man. "I pray for health, happiness and success ... and I make a donation of 100 rupees."

Caroline woke briefly from the spell. "100! How about 50?" The man suggested 60. "That's cool," she replied, with a wide smile.

Pushkar is a small, pretty town built around an oasis on the edge of a desert in Rajastan. According to Hindu legend the god Brahma dropped a lotus flower there and a lake sprang up at the spot. For more than 3,000 years, devotees have travelled from across India to worship at some of its 400 temples. Around 90 per cent of Pushkar's 11,000-strong populatioo is connected witb the priesthood: the other 10 per cent appear to work in the tourist trade. Some people, like Caroline's friend, dabble in both.

Pushkar's tranquility, idyllic setting and air of authentic spirituality have made it a popular pit-stop on the Indian tourist circuit. Many visitors find it an antidote to the chaos of the big cities and stay for weeks at cheap backstreet guest houses. As a result, unsuspecting Pushkar has become a hippy hangout.

Along the narrow maio street, dodging cows and bicycles and holy meo and beggar-women, stroll Europe's drop-outs in tie-dye trousers and embroidered waistcoats. Following them from sbop doorways come familiar whispers: "Hello friend, good bash, change money, buy something."

Because Pushkar is a holy place, alcohol, meat and even eggs are banned, and signs warn foreigners against kissing in public. Yet almost anything else seems possible: you can get a shave and a massage in five languages, buy uncut rubies and chocolate biscuits, drink milk-shakes and eat Chinese and swap your copy of *Midnight's Children* for a dog-eared *City of Joy*, or *Zen and the Art of Motorcycle Maintenance*. One shop front promised: "Ear and Nose Hole Possible Here."

At 6am it was still dark as dozens of temple bells rang to summon the faithful to icy dips in the lake. Pilgrims, shivering and fully-clothed, bathed at the white-washed *ghats* lining the shore.

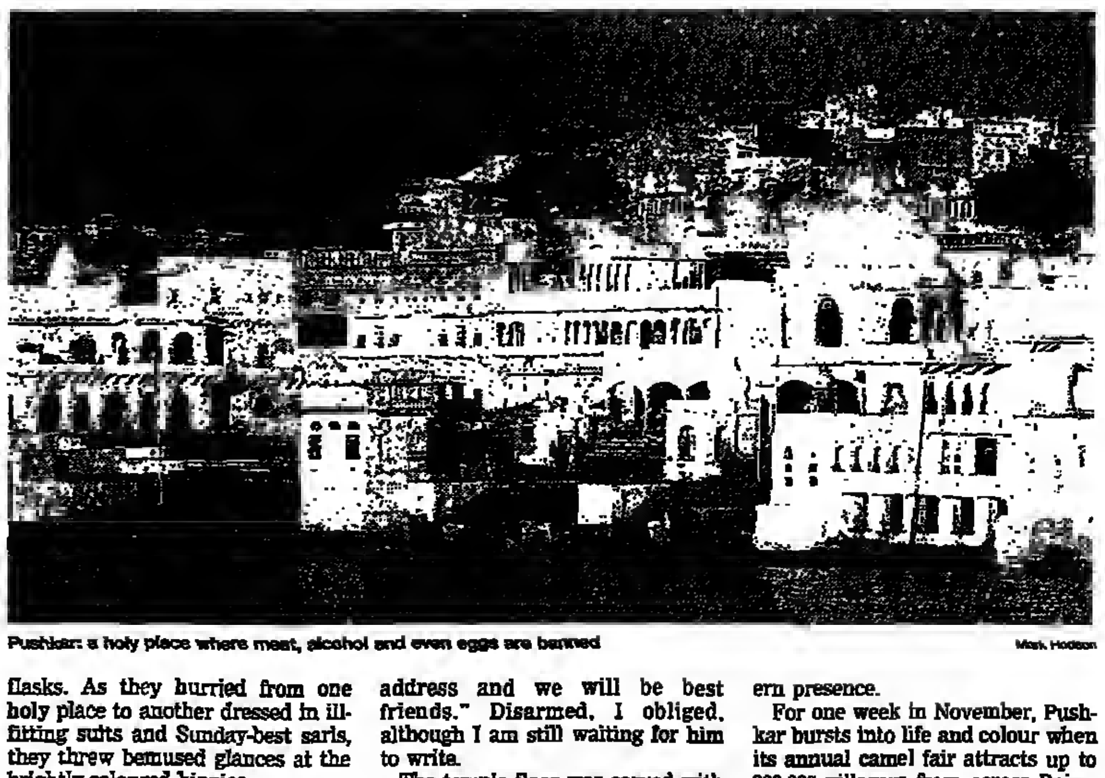
At the top of a steep hill overlooking the town there is a 2,000-year-old temple where a sad-looking priest swathed in saffron gave me a cup of steaming tea as we watched the sunrise together. Through my telephoto lens he studied the squat buildings below, clustered around the tiny square of water. Then he asked how much the camera cost: "More than 10 English pounds?"

Distant drums pounded as the rising heat brought the desert to life. Monkeys appeared and parrots, then great vultures launched themselves into the air with a single flap of their wings, circled slowly and returned to their branches to wait.

On the path back into town a small boy was herding goats as a pair of wild peacocks danced through the dust. At Sanjay's Rooftop Restaurant there were fairy lights above the door: too late for Diwali, too early for Christmas. Over a breakfast of porridge and honey toast I listened to two dazed German hippies argue about how much dope they had smoked the previous evening, until their slurred protestations were drowned out by a screeching tape playing one, seemingly interminable song: "Hare Krishna, Hare Krishna, Krishna Krishna, Hare Hare ..."

Outside, a *sadu* with long white beard and asbtray specs, as skinny as a dog, was washing himself under a banyan tree. He reached with a bar of soap into the depths of his loin cloth and a hippy girl in beads and sandals averted her eyes.

By mid-morning the first pilgrims had arrived: Indian families on day trips from Delhi and Jaipur clutching packed lunches and drinks flasks. As they hurried from one holy place to another dressed in ill-fitting suits and Sunday-best saris, they threw bemused glances at the brightly-coloured hippies.



Pushkar: a holy place where meat, alcohol and even eggs are banned — Mark Hodson

At the red-spired temple dedicated to Brahma, beside a sign saying "Donate For Cows", a smartly-dressed young man clutched my hand and said: "Give me your address and we will be best friends." Disarmed, I obliged, although I am still waiting for him to write.

The temple floor was carved with memorial atones and, beside the names of the dead, the marble was inlaid with silver rupees bearing the heads of George V and Edward VII, reminders of an earlier, western presence.

For one week in November, Pushkar bursts into life and colour when its annual camel fair attracts up to 200,000 villagers from across Rajastan. Prices et hotels and restaurants soar and the barefoot hudget travellers move out to make way for well-heeled tourists and film crews from Tokyo, Paris and New York.

When the dust has settled and tariffs have fallen back to earth, the hippies return to find the same bars blaring out the same old Rolling Stones records, the sbops selling the same Kashmiri carpets – possibly silk, possibly not.

Those who linger in Pushkar perhaps know it is not the "real India" – no single place could encapsulate the seething sub-continent – but this desert oasis is closer to their dreams of India than the heaving, polluted cities that surround it.

And everyone is a winner in such a glittering collision of cultures. The grinning Indians provide colour and chicanery, blessings and badly-made clothes. In return, the west sends its great unwashed – gangly youths witb tattoos and matted hair who exchange bard currencies for a piece of potted mysticism and cheap, worthless bangles and beads.

At tbe Palace Hotel, a former home of the Maharaja of Kishangarh and now, at £5 a night, the most expensive place to stay in Pushkar, guests were taking their positions for cocktail bour. We sat on the lawn in wicker chairs to watch the sun dip behind far-away hills turning the sky pink and gold.

Expert advice was offered as to the exact moment to take photographs ("Now man! This is it, perfect, take the thing!"). The sound of temple bells drifted on the evening breeze and, in the parched section of the lake, schoolboys played cricket with a home-made bat.

Later I returned to Sanjay's Rooftop Restaurant. The same tape was playing. "Hare Krishne, Hare Krishna, Krishna Krishna, Hare Hare." Only this time the shrill, insistent tones seemed strangely soothing. I ordered a banana milk-shake.

SPORT AND MOTORING

Tennis/John Barrett

Left with the legend of Borotra and Hoad

It is one of life's hard lessons that nothing is for aver. In the past two weeks the lesson has been particularly hard to bear with the passing of two tennis legends who were both old friends.

On the day when the 22-year-old American Pete Sampras was adding to his fame in this year's Wimbledon final, Lew Hoad, the great Australian champion of the mid-1950s, died aged 59 near his home in southern Spain following a short illness.

Like Sampras, Hoad had successfully retained his Wimbledon title in 1957, the first post-war champion to do so. Since that day only Rod Laver, Roy Emerson, John Newcombe, Bjorn Borg, John McEnroe, Boris Becker – and now Sampras – have achieved the feat.

Last Sunday, 450 of us, all friends of Lew, gathered with his wife Jenny, son Peter, and two daughters, Jane and Sally, to celebrate his life on the lawns of their Campo de Tenis in Fuengirola. Later that day, we heard that just across the French border, near Domaine de Pouy, his original home near Biarritz, Jean Borotra, the Bounding Basque of French tennis in the 1920s, had died, aged 95.

These last few days, the camera shutter of memory has clicked constantly. There are vivid pictures of both men:

- Hoad smiting that mighty backhand to destroy Ashley Cooper 6-2 6-1 6-2 in the 1957 Wimbledon final, one of the shortest on record.
- Borotra, aged 51, leaping like a gazelle for a backhand volley on the old East Court at Queen's Club in 1949 to beat 27-year-old Geoff Paish for his 11th British covered court title.
- Hoad lifting an inebriated Roger Becker to his feet at the New Fitz Club in Bournemouth during the hard court championships of 1957 and carrying him out to his car with one strong arm.
- Borotra arriving late for a lunch of the International Club of Great Britain and going around the room kissing the hand of every woman present.

Each man had that elusive quality, charisma, and each contributed greatly to the evolution of the game. Borotra, without much of a serve, showed what could be accomplished as a volleyer if you had fast enough feet, hands and reflexes – all qualities he had developed as a pelota player in his youth.

He was also a master of match-play psychology – perhaps even the inspiration for Stephen Potter's marvellous works on *Gamesmanship* and *Lifemanship*. He would make a great show of donning the beret to rouse the crowd and would delight them by leaping into the lap of a pretty girl in the front row.

Jean Borotra in 1925: master of psychology — Hulton Deutsch

Lew Hoad: forerunner of today's power players — Hulton Deutsch

He was always chivalrous and would applaud an opponent's good shots. At a change of ends Jean might say: "... well done! You are hitting your service so beautifully today – I've never seen you hit it better." You would spend the next five minutes wondering what made the shot special and, hey presto, you had lost your serve.

He had tremendous energy and enthusiasm. In the 1960s, when I was managing a British team at the French championships, Jean persuaded me to partner him in the doubles. He was well into his 60s and insisted that we limber up in the Bois de Boulogne prior to combat. Mercifully, we lost our first match and I was spared further torture.

Jean was also a great patriot for whom the six years of French Davis Cup dominance, from 1927 to 1932, with his fellow Musketeers, Henri Cochet, Rene Lacoste and Jacques "Toto" Brugnon, represented all that is best in sport.

The comradeship of those days – all for one, one for all – never died. All four were dedicated to the ideals of the International Club of France, established in 1929, following the founding of the British Club five years earlier by Wallis Myers, a former international player who was then tennis correspondent of the Daily Telegraph.

The two clubs have met twice a year since 1929 and Jean's incredible record of playing in every one of them until last November – 116 in all – is surely unique.

Borotra inspired successive generations of French players and was there at the Davis Cup final in Lyon three years ago to see Yannick Noah's team of Guy Forget and Henri Leconte score their famous victory over the US, led by Andre Agassi and Pete Sampras. He shed tears of joy at the end.

Hoad, the forerunner of today's power players, had a tremendous physical presence on court that would often intimidate opponents, although he was actually a very shy man.

With the blond good looks of a Robert Mitchum, Hoad was also immensely strong thanks to a training regimen that was unusually advanced for that era.

With a powerful forearm and wrist he could hit the ball hard and early only because he possessed sound stroke production plus a natural ability to time the ball perfectly – essential qualities for success with a wooden racket that was 26in long, 1in shorter than the conventional frame. One shudders to think what devastation Hoad would have caused using a graphite frame.

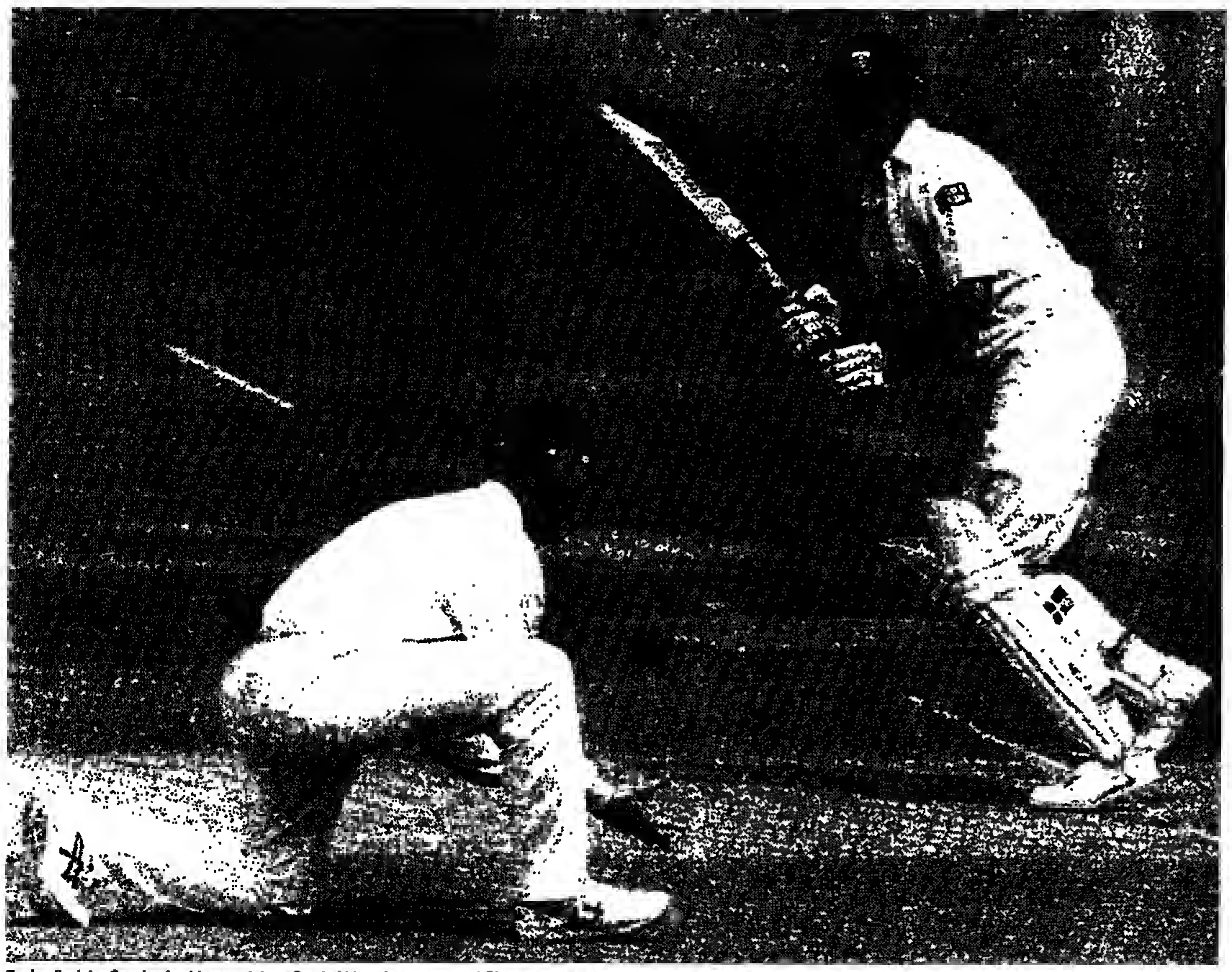
Hoad's first great performance came in the Davis Cup challenge round of 1953 against the US, played in Melbourne. Harry Hopman, the Australian captain, decided to blood the "twins" Hoad and Ken Rosewall, who were both 19. The key to success lay in finding a way to beat the top American, Tony Trabert.

On the opening day Trabert beat Rosewall and Hoad beat Vic Seixas. The Americans also took the doubles, so the fourth rubber, Hoad vs Trabert, would probably decide the tie. In a magnificent match, played in intermittent drizzle and with both men wearing spikes, Hoad won 7-5 in the fifth set. The next day Rosewall duly beat Seixas and the cup remained in Australia.

Playing Hoad was an instructive experience. I had lost to him in the third round at Wimbledon that year and remember wondering why I was so slow. When you went to the net, the ball seemed to come at you just that bit faster than expected. Consequently, you were late on the volley. At the baseline the ball would bounce so close to the line that you always felt rushed.

Three years later, Hoad made everyone look slow as he beat his old friend Rosewall to win tha first of his two Wimbledon titles. Already the winner in Australia and France in 1956, Hoad needed to win the US title to achieve the grand slam, a feat accomplished only once before, by Don Budge in 1938. By a twist of fate it was Rosewall who beat him in the US final.

Champions come and go but it will be a long time before we see two such great ones again.



England's John Crawley fumbles a catch as South African batsman David Richardson looks on at Lord's yesterday — Reuter

Cricket/Simon Hughes

Lord's be praised

For once at a Lord's Test, the focus is on the cricket rather than the salmon *en croute*. South Africa are playing there for the first time in a generation and thousands of pairs of eyes have been locked on the drama unfolding on the field.

Sometimes, people forget that Lord's is more than five acres of manicured turf and a sloping pitch that baffles inexperienced bowlers. It is also a living, working monument to cricket.

I am not referring to tha Jingdezan punch bowl *circa* 1786 exhibited in the pavilion – a unique piece of Chinese porcelain – or to the oil paintings, the miniature urn containing the original Ashes or the stuffed sparrow which was struck by a delivery one day in July 1936. (Both the sparrow and the ball were pronounced dead.) The pavilion is just one facet of a great ground.

But there are other nooks and crannies from where you can actually see something alive and kicking. Take the new Mound Stand, for instance. At the top is tha debenture area whera the wealthy and privileged enjoy the best view there is.

Lolling under the swirling roof feels a bit like watching the game from a marquee with the flaps up – far better than the cramped breeze-block hospitality boxes directly below. Within, there is an audible buzz as people who have stumped up a cool £3,000 interest-free mingle at the bar or loiter on the precipitous stairs. "Do they still have sixes in cricket?" asks a man with a fat cigar who looks about to keel over.

Most people are in blazers and slacks but down below, in the public seating, there are panamas and large men with bare torsos ignoring the advice from the public address that in this heat, sunburn occurs in 35 minutes. They will have paid £38 for a seat, something of a hike from the equivalent of 75p it would have cost a spectator the last time South Africa were at Lord's.

The upper reaches of the Mound Stand are presided over by Eric, a jovial Jamaican, who has stewarded at the ground since 1957. He issues passes and greets regulars with a broad grin. He is the antithesis of the dreaded Lord's gatemen. VIPs and hangers-on are ferried between levels by a small lift manned by an elderly attendant who has not seen a ball bowled all day.

Directly opposite, across the field, is the Grand Stand, crowned by Old Father Time, the weather-vane. Because of the prevailing wind, Father Time usually has his back to the cricket. Beneath are the scorers in their cluttered perch, putting dots in books – quite a lot while Kepler Wessels was batting – or fiddling with computers. A woman sits in the corner programming the electronic scoreboard.

At ground level, with barely a glimpse of the cricket, Vince and Charlie hand-set the old Heidelberg printing press because there is an urgent demand for more score-cards: "We've sold 9,000 already today," Vince says proudly. The room has a curious aroma of inky mustiness and is a museum in its own right, with score-cards dating back to the 1924 South African Test, old signed bats and letters from Harold Larwood. Thursday's card was updated at the close of play, and later a queue developed for souvenirs.

Meanwhile, Wessels, the South African captain, was chiselling runs in his awkward, crabby way, oblivious to the masses desperate for excitement. MCC members removed their jackets and loosened their ties and the deep purpleness of their faces seemed ever so slightly to subside.

When the lunchers returned to their seats at about 4pm, the score had hardly changed. "Bit slow," people muttered, "but it's understandable, it's their first match back."

Which is not quite true, of course. This Test is actually the South Africans' 15th since re-admission to world cricket 2½ years ago, and they have become a tough, resilient unit, if not a devastating one.

Their cricket has been full of great commitment and passion, with just one ironic twist. The South African team is still all-white; their most talented black player, Jacob Mulao, a Sowetan left-arm spinner seconded to the MCC this summer, was in a small booth selling score-cards.

Motoring

Promise unfulfilled

Stuart Marshall asks why four-wheel drive is not more common

When Audi unveiled the first Quattro at the Geneva Show in 1980, it seemed that all high-performance cars of the future would have full-time four-wheel drive. Having tried it, I certainly thought so.

The ease with which this potent turbo-charged coupé could be driven quickly and safely on surfaces ranging from dry tarmac to loose gravel and frozen slush was a new experience.

That was in 1980. Actually, the Quattro was not the first 4x4 road car of its kind. Jensen had beaten Audi to it by some years with the FF model. But Jensen made only a small number of FFs and, sadly, I never got my hands on one. The Quattro started a trend that other volume makers followed.

Four-wheel drive has since swept the world of rallying but not of normal motoring. For road cars, it is a story of promise unfulfilled. Audi still offers the quattro with all-wheel drive transmission on its complete range. There have been – in some cases there still are – all-wheel driven versions of cars such as the Ford Scorpio and BMW 5-Series, Porsche 911 and Peugeot 405.

They are, however, a minority choice. And most of the really high-performance cars – Ferraris, Aston-Martins, BMW 8-Series, Mercedes SL and so on – are rear-wheel driven. Motorists associate four-wheel drive road-going vehicles mainly with keeping going in snow. Very good they are at it, too. (Paradoxically, 4x4 on-off roaders are much less popular in Lapland, where winter lasts for six months, than in England's lifestyle-conscious home counties. Northern Scandinavians rely on spiked snow tyres and, to a growing extent, traction control.)

By matching power output to tyre grip a traction control system (TCS) curbs wheelspin on slippery surfaces. Cars fitted with it are unfazed by snowy hills. Just as significantly, they do not become unruly if accelerated savagely, or cornered imprudently fast, on wet roads.

TCS is now standard on some cars with an abundance of power (such as the latest turbocharged Rover 600ti and Vitesse Sport) and offered by manufacturers as an option on others. They have been persuaded that it gives many of the benefits of permanently engaged four-wheel drive without the extra weight, complication and cost.

Subaru begs to differ. It is wedded to four-wheel drive. Apart from a recently introduced front-wheel driven entry model Impreza family saloon or hatchback, it has sold nothing but four-wheel drive cars for years.

Currently they range from the tiny Vivio (£7,047), supermini-sized Justy (from £8,149), Impreza 4WD (from £12,849) and Legacy (£13,999 upwards) to the stunning SVX, at £30,849 perhaps the most pleasurable high-performance coupé I have driven.

When Subarus were first sold in Britain more than 20 years ago they had a simple kind of selectable four-wheel drive. Normally, the power went to the front wheels. When you felt the need for extra traction, you switched it through to the rear wheels as well.

These early Subarus had high and low ranges of gears in four-wheel drive and were astonishingly capable off-road. Just how good I discovered on a military vehicle testing ground. Over terrain many owners of full-blooded on-off road 4x4s would not dream of venturing on, the Subaru just kept going, climbing 1-in-3 slopes, sliding its well-protected underside over high humps and plunging through wellie-deep water.

Of course, knowing that a monster cross-country vehicle is ready to pull you out should you get stuck makes one feel very brave. I would not have gone where I did if my only recovery equipment had been a shovel. But country people who really have to drive across their own muddy fields and pull sheep trailers up steep hills know Subarus are very hard workers. Yet they behave like normal cars on proper roads.

The Subaru Impreza Turbo 2000 4WD 5-door. Like Ford's Escort RSCosworth, a rally car civilised for road use

The latest Subaru to come my way was the 208 horsepower Impreza Turbo 2000 4WD. In common with all Subarus, apart from the Vivio microcar, it has an engine with horizontally-opposed cylinders – the kind Germans call a boxer. Like its Ford counterpart, the Escort RS Cosworth, it is based on a rally car but has been civilised for road use.

It has far more performance than could possibly be exploited on the highway: a top speed of 142mph/229kph and 0-60mph/96kph acceleration of 6.3 seconds are claimed.

What its four-wheel drive means in day-to-day motoring is complete sure-footedness regardless of road surface. The Impreza has power steering, driver's airbag and anti-lock braking as standard at £17,499 for the 4-door saloon, and £17,998 for the 5-door hatchback. Its insurance group is 17 compared with an Escort Cosworth's 20 and it comes with a three-year/60,000 mile (96,600km) warranty.

The ride is firm, with some tyre thump, and the transmission majors on ruggedness. It seats four comfortably, five at a pinch, and has ample luggage space. But with all that eager performance it is not a car I would recommend to anyone with driving licence penalty points.

TRAVEL

First stop, Santiago. Destination, heaven

***Nicholas Woodsworth** embraces the icon of St James of Compostela after following a trail worn by the faithful for centuries*

East from the gates and church towers of Carrion de los Condes, the N-120 runs arrow-straight over the red-soiled, table-top-flat plain of Spanish Castile. It is a quiet road these days; often there is not a car, a house, a person or any sign of life to be seen, even to the treeless horizon. It is a road built for speeding.

Without my noticing it, my speedometer crept well over the limit. And still I felt I was crawling. Where was Santiago? I was feeling impatient, tired and, in spite of my destination, profane. I had been driving for two days from Arles in southern France, and was still 350km short of my goal. I had wanted to arrive before dark.

As e result, they went by in a flash. I hardly noticed them until they were in my rear-view mirror – two middle-aged men in walking boots, trudging along the roadside with packs on their backs and staffs in their hands. In seconds they were faint dots of colour picked out by the evening sun; then they were nothing.

But they stayed in my mind. Like me, these men were on their way to Santiago de Compostela.

Unlike me, they were pilgrims, and they were walking. For them this was not just the N-120. This was the old route of the *Camino de Santiago*, the way of Saint James – for millions in the Middle Ages the most important and challenging pilgrim trail in Europe.

It is still trudged by the faithful today. Had I *walked* from Arles – one of the four main points of pilgrim departure since the 12th century – the trip would have taken me eight weeks.

How far had those two middle-aged men come? Where would they spend the night? I did not know. But suddenly haste seemed less important. I slowed down and, many hours later than I expected, drove into the holy city at a contemplative doddle.

I beaded where pilgrims have headed for more than 500 years – the Hostal de Los Reyes Catolicos. It is, say some, the oldest hotel in the world, having been built as a pilgrim hostel by the Roman Catbolic monarchs Ferdinand and Isabella in that momentous year, 1492.

However, I doubt if it was as comfortable then as it is now. It has kept all its renaissance elegance, a rich façade, and four dignified interior cloisters with fountains, gargoyles, stone pillars and arches. There is still a Gothic chapel and, overlooking it, a Sala de Agonizadas – a room where the sick and dying attended masses from their beds.

Today, Los Reyes Catolicos is a *parador*. The pilgrims' cells have been converted into rooms and suites and the chapel given over to art exhibitions and musical concerts. The Sala de Agonizadas, due to its perfect acoustics, became for many years the favourite recital room for classical guitarist André Segovia.

I slept in the hotel like a coddled king. The place still serves a charitable purpose, though: anyone presenting a *compostela* – e sort of pilgrim's passport showing stamped church authentication of the pilgrim routa followed – is entitled to dine here free of charge.

Had I been e pilgrim, I think, I would have been just as happy to get in from the wet weather as I would to eat. The rain in Spain is not on the plain at all, but in the Galician hills surrounding Santiago. So wet is this north-west Atlantic coast that the city's brief but repetitive showers have gained the title of the "urinal of Spain".

So, first things first: off I rushed in the pelting rain and met Luis Sanchez Rivas, who owns a small, old-fashioned shop, a *paragueria* devoted exclusively to the sale of umbrellas. A precise, elderly man, he is in the same business as his father and grandfather before him.

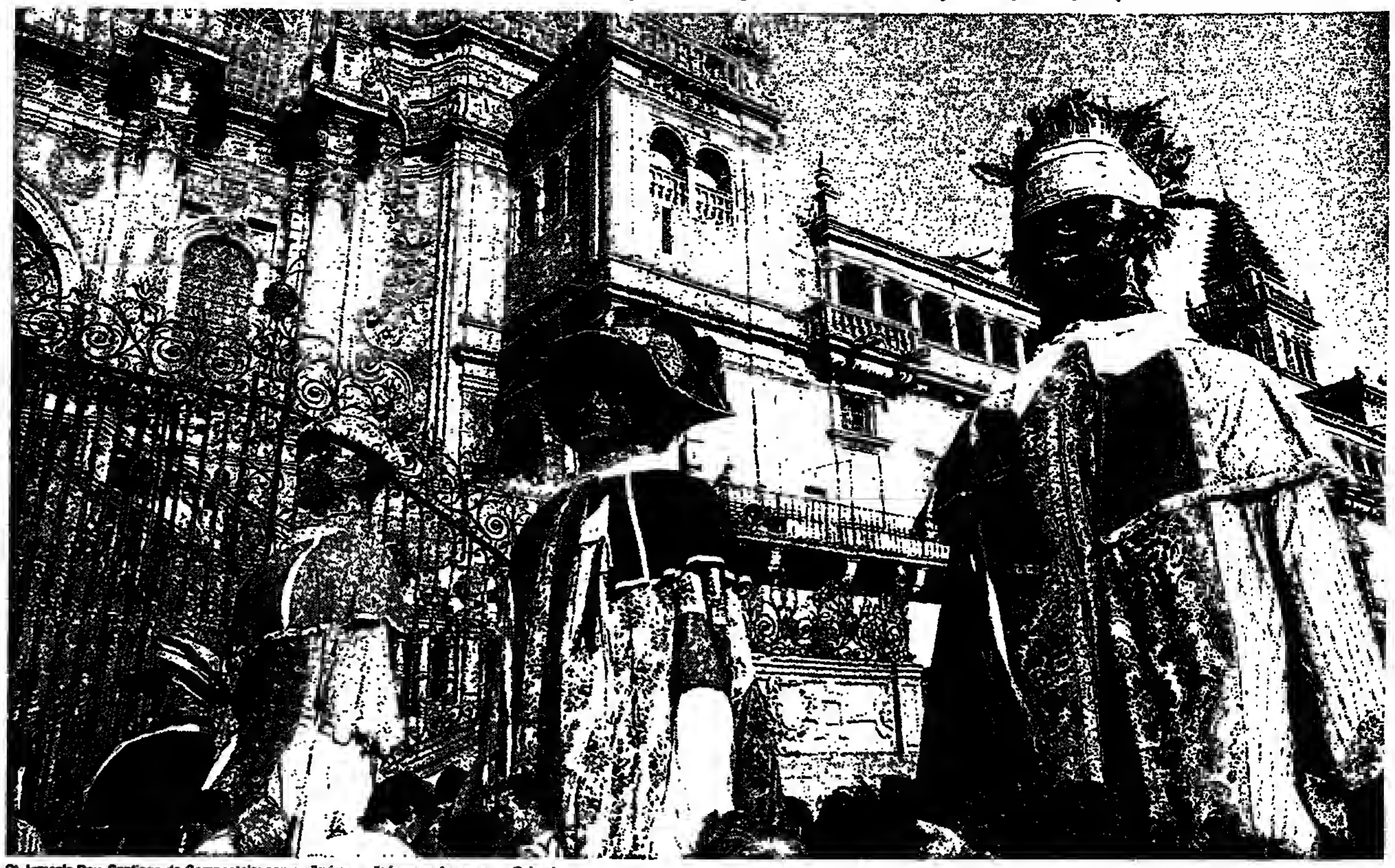
"Sixty years ago it rained here a lot more," he said as we reviewed a long row of solemn black umbrellas standing furled in glass-fronted cases. "It hardly rains here at all now."

I looked doubtfully from the window into a street streaming with water. We were practically shonting at each other to be heard over the rain. Finally, I made the choice of a nifty collapsible number and stopped Señor Sanchez from wrapping it.

"In any case," he said, handing the umbrella over, "we like our rain here. You'll find it suits the city and its mood better than any other weather. There is nothing finer than walking through Santiago in a good Galician shower."

He was absolutely right. Santiago, for all its medieval magnificence – the entire old city bas been declared a national monument – is a solemn and austere place of silvery rain, shifting, moody clouds and glistening grey stone.

Despite the crowds of students and the gaggles of tourists, there is something grave and solemn about the great granite blocks from which the whole city is built; about the slow, heavy, dull ringing of the cathedral bells; about the seminaries, monasteries, archbishop's palaces, convents, chapels, cloisters and crypts that sit solidly and imperturbebly at every turn in the street.



St James's Day, Santiago de Compostela: some pilgrims walk from as far away as Poland

Eye Ubiquitous

This is a monochrome city, unaccepting of colour or the vanity of individualism. It is single-minded in construction and uniform in purpose – the submission of buman achievement before a greater glory.

I strolled the city for hours, wandering under stone arcades, stumbling across hidden plazzas, admiring the clean Romanesque lines of its buildings. I marvelled to think of this sophisticated place built so long ago in a rainy and wild region so remote from the rest of Europe. What made Santiago such a magnet that in the 12th century, et a time when people rarely ventured far from home, the city was attracting over 500,000 pilgrims a year? Only faith could have done it.

The legend of Saint James's burial in Spain seems to have very little basis, bnt that hardly seems to matter. What does matter is that for centuries millions have believed that a pilgrimage here virtually assured their passage to heaven.

Due to the great power of Saint James, simply arriving here – not to mention the indulgences and remissions that could be picked up along the way – guaranteed a halving of time spent in purgatory. This was worth the considerable risks and hardships of the journey.

And what about these days? "It is as tough a walk now as it was eight centuries ago," Canon Jaime Garcia Rodriguez told me wben I dropped into the pilgrims' welcome centre. In 23 years of work in Santiago, the canon has met tens of thousands of pilgrims, some walking from as far away as Poland. Last year, a special year because the saint's day fell on a Sunday, more than 99,000 pilgrims received *compostelas*.

And where does the pilgrim trail lead? I attended a pilgrims' mass at Santiago cathedral, and began to understand some of the reverence that has made James the patron saint of Spain, and has made Santiago, along with Rome and Jerusalem, one of the three boly cities of Christendom.

Santiago's cathedral is huge, ornate, complex and riotously embellisbed. Inside, behind a façade decorated with some of the finest Romanesque sculpture in the world, is an altar even more lavish in style. At the beart of a fantasy of silver and gilt, cherubs and massive hanging chandeliers, is the silver and jewel-studded image of Saint James.

It is an Icon up to which every visitor climbs in order to bestow an embrace. Not a regular churcb-goer myself, not even a practising Christian, I did the same, and thought of the two pilgrims still slogging, tired but expectant, along an arrow-straight roadside somewhere in Castile.

■ *Nicholas Woodsworth's trip to Santiago was arranged by Mundi Color, o company specialising in tailor-made Spanish travel: 276 Vouxholl Bridge Road, London, SW1V 1BE. Tel: 071-828 6021.*

Informotion obout Santiago can be obtained from the Spanish Tourist Office, 57 St James's Street, SW1A 1LD. Tel: 071-499 0901.

The sound of legend

***Adrian Gardiner** is impressed by the natural wonders of the Western Isles*

Untamed for 3,000 miles, the Atlantic ocean crashes in through the mouth of Uiamh Binn, tbe musical cave. Foaming cascades surge over black prismatic columns of basalt. We cling to the rocks under 10,000 gleaming black polygons of the cavern roof. No one speaks. We frail bumans are mesmerised by the awful power of raw nature, and gaze down at the relentless ebb and flow, silent witnesses to the geophysical copulation of sea and rock.

In 1772 Sir Joseph Banks, the naturalist who sailed with Captain Cook, was on his way to Iceland. Storms forced him to seek shelter off the west coast of Scotland; once the weather had cleared, locals urged him to visit the musical cave. Thus was the tiny isle of Staffa put on the map.

Subsequent illustrious visitors were equally impressed. "It surpasses the finest cathedral," wrote John Keats of Fingal's Cave, a 220-ft long cavern named after Finn McCoul, the legend also credited with the construction of the Giant's Causeway in Ireland.

Felix Mendelssohn, although suffering from toothache and seasickness, was enchanted: "Like the interior of a gigantic organ for the winds and tumultuous waves to play on." On the spot he scribbled 20 bars of music which became the theme of his *Hebridean Overture*.

Six miles south, past the Treshnish Isles and the famous silhouette of the Dutchman's Cap, lies Iona. Columba and his 12 disciples arrived at the "Cradle of Christianity" from Ireland in 563 AD and built a monastery. Vikings vandalised it over the next 400 years. In 1230 Benedictine monks built a new one, which was torched during the Reformation. The present abbey is mainly 16th century, with later additions.

The oldest building on Iona is St Oran's Chapel. Columba received a message from heaven telling him a buman sacrifice must be buried under the new chapel. His disciple Oran volunteered. Three days later (the story goes) Columba opened the grave for a last look at his friend. Oran was in fine form.

"There is no wonder in death," be told Columba, "and bell is not as it is reported." Stunned by such sacrilege, Columba reburied Oran witb the prayer: "Earth, earth, fill the mouth of Oran that he may gossip no more."

Nearby, the chapel cemetery contains the graves of 48 Scottish kings, and several Irish and Norwegian ones. King Duncan lies here, murdered by Macbeth in 1040. Close by the abbey are Celtic high crosses richly decorated with carvings.

Not even the most hardened atheist could be unimpressed by Iona. Summer tourists make little impact on the serene atmospbere. Quartzite rock sparkles in the sunlight, which turns the sea azure. Columba chose his site well.

Staffa and Iona lie off the Ross of Mull, the south-west corner of the Isle of Mull. "Ob Sir," said Doctor Johnson, "it is a most dolorous country." No doubt it was in those days. The Highland clearances were in full swing: brutal acts of revenge prompted by the Hanoverian Georges against those Highlanders wbo had supported the Jacobite cause.

Dolorous no; but Mull is frequently wet. Tobermory is the busy capital. Built 200 years ago, it never quite lived up to its founders' expectations as a major fishing port, bnt is a favourite yacht anchorage.

Bounty bunters frequent the depths of Tobermory bay. In 1588 Donald Glas MacLean, a hostage aboard the galleon *San Juan de Sicilia*, set fire to the ship's magazine and went to the bottom with her.

West of Tobermory are the white sands of Calgary, a hamlet after wbicb emigrants named the Canadian city. At Dervaig, Mull Little Theatre, with 37 seats, is said to be the smallest in the world. The stage has room for just three actors; if the prodnction requires more they have to be played as puppets.

In the Mishnish, Quinish and Mornish areas of north Mull it is worth climbing to a viewpoint: Cruach Sleibhe, for example, an undemanding 600ft. On a clear day you can see to the west the islands of Coll and Tiree in the Atlantic; to the north, beyond Ardnamurchan Point, most westerly on the British mainland, the "Small Isles": Rhum, Eigg, Canna and Muck.

South of Calgary the island of Ulva borders Loch na Keal, the "dark Loch Gyle" of Thomas Campbell's ballad, *Lord Ullin's Daughter*. The loch is the haunt of seals and barmless basking sharks.

In the Western Isles things change slowly if at all – part of their attraction for cosmopolitan visitors – but last year a visitor centre and Clan Museum opened on Ulva. The tiny island boasts two minor celebrities: the fatber of explorer David Livingstone, and Major-General MacQuarrie, the founder of New South Wales. The Ulva ferry, a two-minute trip, must be the shortest in Britain.

There are two venerable castles in the south-east of Mull. Duart Castle greets travellers on the Oban ferry, and has been guarding the entrance to the Sound of Mull for seven centuries. Torosay Castle has a famous Italian statue walk in its formal gardens and is linked to Craignure, the ferry terminal, by a narrow-gauge steam and diesel railway.

Oban, three hours north of Glasgow by rail, four by road, is the gateway to Mull, Iona and Staffa; to Colonsay, Coll and Tiree. The town is a tourist centre in its own right and in July and August the population expands five-fold to 35,000, turning it into a lively resort.

In Oban we meet another reference to Fingal. On the east side of Oban Bay is the Clach a'Choin, or Dog Stone, to which Fingal tethered his mastiff Bran. But Oban's most famous landmark is McCaig's Folly, an incomplete Colosseum lookalike. It was intended to be a lavish art gallery and museum bnt local banker John Stuart McCaig went bankrupt. As Robert Burns wrote: "The best-laid schemes o' mice an' men Gang aft a-gley."

■ *For accommodation, contact the West Highlands and Islands Tourist Board, Albany Street, Oban PA34 4AR. Tel: 0631-63122. Ferry timetables from the head office of Caledonian MacBrayne, Ferry Terminal, Gourock PA19 1QP. Bookings: contact the Oban office. Tel: 0631-66688.*

A ferry (cars prohibited) runs from Fionnphort on Mull to Iona. To visit the Small Isles (round trip nine hours) depart from Mallaig near Fort William. Islay and Jura are best reached from Kennacraig, near Tarbert, halfway down the Mull of Kintyre. To Islay takes two hours, to Jura another five minutes. Calmac offers bargoin tickets for those making several journeys.

From Oban, Calmac runs o Three Isles Tour, May to September – an all-day trip by coach, ferries and motor launch, visiting Staffa, Mull and Iona, weather permitting. The cost is £21 adult, £11 child: very good value.

The most luxurious way to see the Western Isles is aboard the converted ferry Hebridean Princess. *Departures are from Oban ond Kyle of Lochalsh, with prices starting at around £500 for a three-day cruise, inclusive of meals and excursions to castles, distilleries, etc. Contact Hebrideon Islond Cruises, Bank Newton, Skipton, North Yorkshire BD23 3NT. Tel: 0756-748077.*

A close-up shot of the catwalk couture

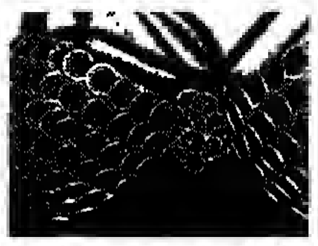
Avril Groom examines the detail of the top designers' creations

Works of art have rarely attracted as much hype as the clothes in some of this week's haute couture shows in Paris.

The celebritiea with their entourages (Prince and Sylvester Stallone at Versace, Joan Collins at Chanel and Valentino, Shakira Caine everywhere), the gangs of heavies, the strange cult of supermodels who become global personalities purely on the strength of their visual image – all this creates an ambience more appropriate to the world of showbusiness than to fashion.

It goes with the well-worn jibes about the unnecessary profligacy of couture – how it is expensive heyond the dreams of avarice, how it is worn hy a mere handful of women and how it only exists for publicity value.

This view does the clothes themselves no favours and neither does seeing them on a remote catwalk. Only by examining them, getting as close to them as the women who buy them, and hy imbibing the atmosphere of a designer's studio in the hectic weeks before a show does the logic behind this apparently outrageous industry start to make sense.



Versace's high-glamour black silk evening dress with fish-scale bodice.
■ Detail: "scales" made of metal rings threaded on to hand-turned black ribbon

I would have to quarrel with Coco Chanel's assertion that haute couture is "a technique, a job, a commercial undertaking".

The clothes themselves may be merely examples of high craft but the effort of creation and co-ordination which a designer makes must give him a claim to artistry equal to that of a conductor or composer.

Dior or Givenchy have the purest outline of a suit or shoulderline, Balmain and Ungaro manage the most delicate conjunction of lace and chiffon, while Versace, Lacroix and Chanel have the cut of the moment, one that makes the most of female curves.

The couturier's art lies in flattering and glamorising the female body – even those not shaped like supermodels – with clothes that are unique to that woman. Along the way they keep alive artisan techniques that might otherwise die out.

The Comité Colbert, which promotes the luxury goods industry, is so worried about the possible demise of these skills that it has taken to running courses introducing teenagers to manual crafts.

Even Chanel, despite its reputation under Karl Lagerfeld'a deaignership, has problems attracting young apprentices.

"It's a matter of attitude," says Catherine Rivière, director of haute couture. "Karl expects everyone to feel the same commitment and love for couture that be does. If they are happy to work for 200 hours on one blouse, if they can go to a fitting and be proud of how their work looks, not envious of the rich woman who is wearing it, then they are right for us."

Chanel'a hourglass-curved red wool crêpe coatdress.
■ Detail: shaped pocket and raised seams with perfect parallel stitching

Cutting and sewing couture is, according to a future chef d'atelier at ona of Yves St Laurent's two tailoring workshops, "a continual learning process. You can never say your training is over. Similarly a garment is never finished. You can always improve the detail."

St Laurent'a workrooms thrive on the quality of their handwork. Details such as a hand-sewn, contrasting silk lining and the way a ruffle is set between that lining and the onter fabric, or a simple-looking trim that is in fact a complex confection of appliquéd velvet and decorative stitching – these are the private fruits of the contract between client and couture house.

And such details explain why St Laurent still has the biggest regular clientèle, said to number around 400, in spite of rumours that the designer himself is now less creatively involved.

Here, shapes are traditional, though this season's experiments with both very short skirts and the new knee-length bell shape, teamed with small fitted jackets curvily seamed to the figure, and richly-brocaded Chinese styles for evening, are an unqualified success, a collection that recalls his glory days.

The St Laurent client still prefers contemporary quality to trend statements but this new modernity may prove prophetic, as may Chanel's recruitment difficulties because, by all accounts, couture is undergoing a small boom.

Dior reports sales up by 14 per cent last year while Lacroix and Versace botb claim a new clientèle of young Europeans who want simpler bnt glamorous "occasion" clothes which will work in their wardrobes for years and who appreciate the handwork involved.

Christian Lacroix is the designer *par excellence* for decorative flourishes and historical references yet his simpler draped chiffon *Directoire* dresses have been his greatest success.

He is also very aware of couture's role as an ideas powerhouse, particularly in the field of fabrics and technique. His new collection fuses specially-invented ways of working fabric with revived design ideas such as the puffed Edwardian shoulder, the hourglass corset and a knee-length A-line skirt with fluid movement.

As the collection's orchestrator he persuades craftsmen to invent techniques that give the effects he wants.

"He has a very clear idea in mind which he communicates to experts who then try and deliver it," says his assistant Laure du Pavillon.

"The whole show collection is produced in two months and the atmosphere in the studio, as various elements come together, is fantastic."

An example this season is the use of large, coloured paillettes which Lacroix wanted to look fluid rather than 1960s-stiff. This meant sewing them into an experimental underlying network of stretch silk handknit.

Opposing Chanel, he views such craftsmanship as "not unlike an art" and so complex and painstaking are his designs that his atelier of 40 workers can make for clients no more than 120 pieces (and one outfit may contain 3 pieces) per season.

This is patently not an economic undertaking but is regarded as essential for the houae's creative development.

Versace is another noted fabric innovator. Like other couturiers, his traditional decoration is done by the great Paris embroidery bouses sucb as Lesage, bnt he also works closely with German and French companies specialising in metallic fabrics.

Dior's elaborate decoration is as spectacular as its immaculate tailoring.
■ Detail: a black velvet jacket has a complex trim of satin, embroidery and punched crocodile skin

They have developed a fluid "chainmail" at his behest, while other handworked finishes – such as a fishscale-effect bodice, which on close inspection turns out to be made of fine silver rings threaded on to hand-turned ribbon – are made in his Milan workshops.

Even in couture Versace has an eye to commerce. He is a supremely flattering and glamorising cutter and the impact made hy actress Elizabeth Hurley attending a London film premiere in one of his dresses apparently held together only hy safety pins has sparked many imitators.

Karl Lagerfeld at Chanel has sometimes completely subsumed couture tradition and technique in headline-grabbing razmatazz, but not this time. Complex technique is paramount though not always easily visible.

On the catwalk, precision-cut jackets, cinched and fluted like an hourglass, look effortless. But in fact they contain up to 30 pieces and are shaped by a profusion of curved, raised seams, each stitched to within a millimetre's accuracy.

In ready-to-wear, the famous braid trim is sewn on; in couture, this season, it is an edging of satin and an appliqué of velvet, or a mix of hand-plaited fabrics, or tweed made into a fine hias rouleau and applied by hand.

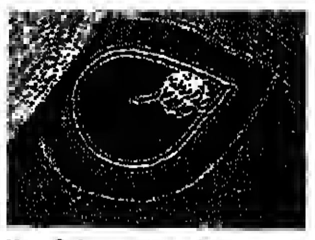
The baaic silhouette is a refined version of tbe tight-waisted, full-hipped shape reviled when Vlvienne Westwood showed it in March. In Chanel's mix of subfusc shades with the occasional bright or pastel tweed it looks at once nostalgic and sophisticated. Its craft is beyond reproach yet any general fashion influence it has will be on overall shape.

In spite of the supremacy of couture technique, it is the bright, immediate media image to which even the most cynical of us is susceptible.

Looking for a pair of shoes to replace ones ruined in the tropical downpours which have plagued Paris this week, I found myself tempted by a pair with a well-known designer label.

Were they really more attractive and wittier than any others, or did I just imagine that that safety-pin trim would make aome of the magic of Elizabeth Hurley'a dress rub off on me?

Detail pictures ....*Ben Coster*
Catwalk pictures ....*Niall McInerney and Ben Coster*



Yves St Laurent's ladylike forest-green wool crêpe suit with burgundy velvet trim on pockets.
■ Detail: pocket trim made of hand-cut velvet and decorative stitching, silk-lined and appliquéd on

Shopping marches on

Lucia Van der Post reports on two new victims of shopaholics

One in six of us is a shopaholic, Mintel reports, and although this seems a depressing statistic, I prefer to look at it the other way and think that five ont of six of us are not. That species – so highly developed in America – which needs to shop in order to feel it exists, is still a rarity in the UK.

But there is disturbing evidence that it is increasingly difficult to find a shopping-free zone, no matter where yon go. Wimbledon, the Royal Opera House, Hampton Court Palace, Buckingham Palace . . . yon name it, they will be trying to sell yon more than spectator sports or a cultural experience. They will be there with their soovenirs, special offers, postcards and scarves.

This summer two more bastions have fallen prey to the notion that no experience is complete unless there is the opportunity to ahop: Goodwood, that most demure of race-courses; and Glyndebourne, that most magical of opera houses.

In Sussex, Glorious Goodwood is about to begin. It runs from Tuesday to Saturday and, aficionados will know, it has always had a completely different atmosphere from Ascot. There are fewer of the international or Euro-chic set around, dress-codes are informal, even for the Richmond enclosure, and picnics are part of tha treat. This is not the place for blindingly smart jackets and short skirts. Go instead for soft jackets and flowing skirts – think country prettiness instead of metropolltan chic.

As for the chaps – where Ascot is morning dress and top hats, Goodwood is full of racegoers in blazers and chinos nr linen suits and panama hats.

Friday sees a grand ball in conjunction with Tiffany, the jeweller, and, to coincide with Goodwood Week, the company has lannched a first collection of Goodwood-related products.

The collection is small and based on the colour yellow – a particularly brilliant shade found in a Stubbs painting. Yon can choose from socks, bead-scarves, silk ties, braces, umbrellas and panama hats. You could spend 50p on a pencil, £30 on a Panama hat or £65 on a silk scarf.

During Goodwood Week there will be a shop near the paddock. Afterwards, everything will be available by mail order (brochures and details from Goodwood House, Chichester, West Sussex, P018 0PX. Tel: 0243-774107).

Those who have already been to Glyndebourne may have noticed that the new shop sells a host of items that could come to the rescue of forgetful punters – you could buy chocolates or champagne (£25), waterproof-backed picnic rugs (£55) and ultra-lightweight folding seats (£36.75), insulated bottle bags and champagne stoppers, canvas bags and umbrellas, all in Glyndebourne green.

Also on sale are photograph albums, address books, noteblocks and pencils. For opera buffs there are recordings, videos, opera journals and the like. Prices range from 95p for the notebooks to £11.95 for a visitors' book.

The shop is open from 3pm until the end of each performance. A catalogue is being produced for the autumn. Details on 0273-812321.

FOOD AND DRINK

Diners at Harvey Nichols: you can opt for an attractive wine pricing policy there on Monday nights

Tony Andrews

A customer-friendly bottle

***Nicholas Lander** reports on a new trend in restaurant wine pricing that saves diners' money*

The adage in the restaurant business used to be that "you never see a good restaurant advertise". This is no longer true. A number of leading British chefs and restaurateurs have taken part in the recent multi-million pound American Express campaign.

And in New York, Alan Stillman has managed to keep his restaurants – The Post House, Smith & Wollensky, Cité and The Manhattan Ocean Club – bumming by the use of full-page advertisements in the New York Times.

Although such advertising is invariably too expensive for the single restaurant, there is no doubt that the industry is aware that it must promote itself continually to compete for its customers' disposable incomes.

Chefs know that writing recipes in a newspaper, giving interviews on how they prepare Sunday lunch, even appearing as a judge on BBC's *Masterchef*, can keep their bookings' line busy. In today's competitive world no opportunity can be overlooked.

And now it appears restaurants are beginning to put their wine lists to work in a way which can bring financial savings to their customers.

The process started in New York at the beginning of the year but has now surfaced in the smart Fifth Floor restaurant of Harvey Nichols, the department store, in Knightsbridge, west London. There, on Monday nights, you can buy your wine in their wine shop and take it to your table at no extra cost.

The restaurant's mark-up is completely foregone in a brave – and so far seemingly successful – attempt to boost business on what is invariably the quietest night of the week.

Dining there recently, we began with a half of Pernard-Vergelesses 1988 from Rollin Pere (£9.95 in the shop, £13.50 on the restaurant wine list) and then moved on to a bottle of 1985 Barbaresco from Mascarello (£18.50 from the shop, £38.50 on the restaurant wine list) which the *sommelier* decanted most professionally.

Both choices showed how consumer friendly this pricing policy can be. The first wine was slightly disappointing but not excessively so, given the price we were paying. The second was so glorious that we felt we were enjoying a most wonderful bargain.

This scheme has been instigated by the restaurant's manager, Edward Hyde, originally to promote the wine shop.

"Obviously when we began the scheme," he says, "we were concerned about its impact on profitability. Margins have been affected but there have been two major compensatory factors.

"The first is that we have significantly boosted business on Monday evenings and, secondly, those who are coming on a Monday night are entering into the spirit of things. No one is coming in here to drink a bottle of the house red at £4.50.

"Instead, our customers are taking the opportunity to trade up and enjoy wines that they could not afford previously. We have also learnt an important lesson: that our customers come in here with a very fixed idea of what they are going to spend on wine.

"If it is £20 they are still spending that much on Monday nights but they are drinking far more interesting wines."

It is a distinct advantage having your own wine shop next to the restaurant so that at least you can make a retailer's margin. But, taking it a step further, certain American restaurateurs have shown just how aggressive wine pricing can stimulate business.

Alan Stillman started the ball rolling at his Cité restaurant in January. Business at lunch and pre-theatre was good but dinner trade needed a boost so he adopted a policy of offering unlimited glasses of wines, such as Moët & Chandon non-vintage champagne, top California chardonnay and classed-growth clarets, to anyone ordering a $39.50 (£25.90) *prix-fixe* menu or three-course dinner.

It cost Stillman roughly between $10 and $13 per customer, many of whom in turn spent an extra $8 on dessert and coffee that they would not normally have ordered. But it immediately filled the restaurant through the quietest months of the year and got everyone talking.

It also stimulated fellow restaurateur Philip Scotti at the Century Café in Times Square, into creating a pricing policy on his wines – for bookings between 8pm and 11pm – that means charges are a mere $1 per bottle over cost.

Russell Ruscigno, at his Clinton Street restaurant in Los Angeles, and Gayle Dierkhising, at the All Season's Café, Calistoga, have adopted similar pricing policies with the same beneficial result. Ruscigno charges a fixed $8 per bottle over wholesale, and Dierkhising $7.50 per bottle over retail. Both report increased volume and better takings.

Such attractive wine pricing will, I hope, become more common in the UK, particularly as we have a national network of enterprising off-licences to provide the wines. In the interim, anyone looking for vinous excitement on a Monday night and with anything to spare from around £10 for a 1992 Shaw & Smith Reserve Chardonnay from Australia, to £175 for a 1982 Domaine de la Romanée-Conti La Tache, should head off to Harvey Nichols on a Monday night.

■ *The Fifth Floor, Harvey Nichols, Knightsbridge, London SW1. Tel: 071-235 5250. Set three-course menu £21.50, excluding service and wine.*

Eating Out

United in mediocrity

***Giles MacDonogh** visits Ulster*

Northern Ireland is worth it. It has some spectacularly beautiful stretches of countryside and in some parts, at least, it has all the charm and warm-heartedness more usually associated with the Republic. Even after a vicious terrorist campaign aimed at the historic centres of Ulster's county towns, much of it is unspoiled. "The Troubles" are still very localised.

With a name like mine, I am naturally disposed to like Ireland; and Ulster is very much Ireland. On the other hand I am not blind to the drawbacks. One of these is food. When it comes to food, the dream of unity has already been accomplished: you may eat badly from Ballydehob in County Cork, to Ballycastle in County Antrim. Things are, however, getting better on both sides of the frontier.

Ulster has two famous restaurants. In the holiday town of Portrush there is Ramore and in Belfast there is Roscoff. I have not eaten at Ramore for more than five years, so I shall forbear from comment. Roscoff, Ulster's only Michelin-starred restaurant, I have visited more recently.

Its location came as something of a surprise: it is right in the middle of Belfast where it is popular with British journalists on Ulster postings. It is keenly priced and busy; with its vaguely nautical decoration it looks a bit like a sea-side brasserie. The food is described as Franco-Californian, but it is rather more of the latter than the former.

Rather Californian was the "seared beef with celery, Parmesan and truffle oil" which I enjoyed; less so were the "sautéed sweetbreads, with fresh pasta, bacon and roast garlic", which I did not. It was a fussy dish and the sweetbreads were overcooked and over-salted.

A chestnut and amaretti soufflé proved a little dull, but Paul Rankin, the chef, was away that day, and I am prepared to believe that the cooking would have been more precise had he been around.

In the province they will tell you that Rankin has done much to encourage small producers of quality raw materials. One supplier he has patronised is McCartney's in Moira, County Down. George and Gordon McCartney are prize-winning sausage makers with a list of 31 specialities running from lamb with mint to pork with banana.

I am happy to say I have not had the banana sausage, but I have eaten a delicious pork and leek sausage as well as an excellent beef and Guinness. The McCartneys refuse to countenance sales from anywhere other than their shop; which is fine if you live in Belfast, which is only half an hour away by car. Here in London it seems a pity.

The McCartneys use pork from a couple of local farms and superb Ulster lamb. At the Portaferry Hotel in Portaferry I had wonderfully flavoured lamb from the Mourne Mountains, while on the Antrim coast the lambs graze on salt meadows as fine as any in Normandy. Sadly no initiative is made to market this meat and in most Ulster restaurants there is an unfortunate tendency to smother the meat in old-fashioned fruit sauces.

A similar lack of initiative has blighted Ulster cheese. In the Londonderry Arms, in Carnlough, I was told that the local farmers' wives had abandoned cheese and butter-making in the interests of "liberation". I don't know if this is true, but if it is, liberation would seem to be a high price to pay.

Ulster used to have three farmhouse cheeses, but these are, as I was told, "all more or less defunct". There is a serviceable cheddar from Coleraine and a horrid Limeswold lookalike called Bally Blue. Bally Blue indeed.

Beer from Ulster's one independent brewer, Hilden, proved impossible to find, even in the Crown Liquor Saloon. The Crown is one of the best preserved Victorian pubs in Britain: a remarkable achievement for a building opposite the Europa Hotel in Belfast.

Belfast gin was almost as hard to find. Again this is a pity. It is a nice lemony drop, and rather better than a lot of the better-known brands.

On the other hand, there was no shortage of Bushmills' whiskey, County Antrim's most famous product.

Ulstermen are proud of their breakfast "fry", but this too is something to approach with caution. Neither the sample produced at the Culloden Hotel in Holywood, nor the Galgorm Manor, near Ballymena, proved authentic: the sausages were in synthetic casings (unlike McCartneys'), there was no black pudding and the sausages had been grilled! The grilling was justified on grounds of health – something which seems absurd. There is no such thing as a healthy fry.

On my return to London I dropped in on Richard Corrigan's new restaurant in Fulham Road. Here is an Irishman cooking superb meals by sagely adapting the earthy flavours of his mother country: wonderful ravioli of suckling pig; delicious faggots culled from every imaginable part of the pig's head; crubbeens (pigs' trotters) and sensational black pudding. Where are the Corrigans of Ulster? Or is it true that no man is a prophet in his own land?

■ *Information:*
Roscoff (tel: 0232-331532);
McCartney's (0846-611422);
Londonderry Arms (0574-885255);
Portaferry Hotel (02477-28231);
Crown Liquor Saloon (0232-249476);
Culloden Hotel (02317-5223);
Galgorm Manor (0266-880080);
and Corrigan's restaurant, Fulham Road, London (071-351 7823).

Cookery/**Philippa Davenport**

Pep for puddings

By this stage of summer, the first flush of excitement is over. No longer do many of us want to serve strawberries, raspberries and redcurrants simply with sugar and cream. This is the season for summer puddings, some variations on which are given below.

Most of these recipes include a dash or more of citrus because nothing works faster than limes or lemons to bring out the best in scarlet fruits. Citrus will restore vibrant life to tired, woolly, over-ripe berries and currants and it is equally capable of rounding out the thin flavour of slightly under-ripe fruit.

Limes are the lemons of the tropics. They exude more than a hint of the exotic with their scented acidity, which seems almost coconut-creamy. I use them more and more.

My favourite lemons are sfusati, now sold by Safeway as Amalfi lemons at a hefty premium price. Very large, grown organically and exceptionally aromatic, their juice is refreshingly sharp, lacking bitterness. In Amalfi, the fruit is often peeled, sliced, dressed and served as a salad (just as oranges are sometimes served *en* salade with black olives in Morocco).

It also makes fine lemonade, lemon curd, lemon soufflé, and other sweet dishes – all with virtually no need for added sugar.

Amalfi lemons are remarkably handsome, too, and growers prefer to export them with leaves still gracing their stalks. But Safeway is selling them stripped of the leaves and wrapped in cling film, which makes them seem rather charmless to buyers unaware of their special qualities.

SUMMER SOUFFLE SURPRISE

Based on a Constance Spry recipe, this takes very few minutes to prepare and will serve four in style. Success lies in good organisation.

The oven must be pre-heated thoroughly to 425°F/220°C (gas mark 7) while the freezer should contain plenty of crushed ice and 1pt of the creamiest vanilla ice cream. Individual soufflé dishes and ½lb or so of ripe raspberries should be chilled in the refrigerator; the soufflé ingredients should be measured out on the work-top and left ready.

Beat two egg yolks with the finely-grated zest of a lemon and a generous tablespoon of lemon juice. Sit the soufflé dishes firmly on crushed ice in a roasting pan. Spoon the ice cream into them and scatter the raspberries on top.

Whisk the whites of the two eggs to snowy peaks, incorporating one dessertspoon of sugar gradually. Fold the yolk and lemon mixture into the egg whites and spoon the amalgam over the fruit.

Slide the pan into the oven and bake for six minutes until the soufflé mixture is softly set and golden, the fruit is no longer chilly and the ice cream is just beginning to soften.

LIME TART WITH STRAWBERRIES

Here is a delicious and pretty dessert for six (or eight if appetites are modest). Wild strawberries are sold by smart greengrocers and can sometimes be found in supermarkets. Alternatively use ¾lb-1½lb ordinary strawberries, sliced. How much juice a lime will yield varies greatly: play safe and buy four.

Make some paté sucre with 6oz plain, white household flour, 3oz butter, 3 egg yolks and 2½oz sugar. Wrap it and chill for at least 30 minutes before using it to line a 20cm (8in) cake tin with spring-clip sides. Chill again for an hour or longer.

Meanwhile, prepare and chill the filling. First, beat 5 eggs. Reserve a spoonful or two to seal and glaze the pastry. Add 6oz sugar to the rest and beat until soft and foamy. Then beat in the finely-grated zest of 3 limes and just over 4 fl oz of lime juice. Stir ½pt double cream until smooth and blend it into the lime mixture.

Line the pastry case with grease-proof paper and beans, and blind-bake it on a hot baking sheet for 15 minutes at 400°F/200°C (gas mark 6). Remove the beans and paper, brush the pastry with the reserved beaten egg, and bake for 5-8 minutes more until the pastry is set firmly.

Ladle the filling into the pastry case. Reduce oven heat to 300°F/150°C (gas mark 3) and bake for 70 minutes.

Let the tart cool completely in the tin: this will take about four hours. Then, cut the pastry level with the filling and un-mould the tart. Serve it on the day of baking, covering the lime custard with strawberries, whole or sliced, just before serving.

WILTSHIRE JUNKET WITH RASPBERRY PUREE

Junket is one of those old-fashioned foods you tend to forget about then re-discover with glee, for rich versions are every bit as good as *coeur à la crème* – and less fiddle to make. When cream is used, the texture of junket is delicate and rich, slipping down the throat silkily. If the mixture is meanly milky, the results may be perilously thin and bursting with whey.

Look out for Burgess rennet essence in good grocers (my local Waitrose stocks it). Today's brew seems to produce a firmer set than it used to and, sensibly, bottles now are marked with the expiry date of the rennet's potency.

For four people, mix ½pt single cream with ½pt creamy (gold top) milk. Warm gently to blood temperature (98°F) with 2 teaspoons vanilla or caster sugar. Away from the heat, quickly add 1 teaspoon rennet. Stir to mix well and divide between four small glasses or bowls. Leave undisturbed at room temperature for about three hours.

Serve topped with raspberries for garnish, and a jug of raspberry purée (½lb of raspberries sieved and sweetened with 1oz icing sugar, or to taste). Blackberries, loganberries or mulberries can replace the raspberries.

LEMON CURD ICE CREAM

I am quoting this from *Leith's Cookery Bible* (Ebury, £20). It is good served with crumbled amaretti biscuits and a handful of fresh berries (strawberries, raspberries or blackberries) with a matching berry purée to sauce it. I have also used it half and half with rich vanilla ice cream when making summer soufflé surprise.

To serve six people, put into a small saucepan 4 egg yolks; the finely-grated zest and juice of 2 lemons; 4½oz caster sugar; and 4oz unsalted butter at room temperature and cut into dice. Place over gentle heat and stir until the butter has melted and the curd coats the back of the spoon.

Allow the curd to cool, then stir 1pt natural yoghurt into it. Cover closely and freeze.

Put the ice cream in the refrigerator about an hour before serving.

COUNTRY PROPERTY

STRUTT & PARKER

River Tweed, Scotland

Coldstream 2½ miles, Berwick upon Tweed 15 miles, Edinburgh 48 miles.

¾ mile single bank of productive salmon fishings on one of Scotland's best known salmon rivers. 4 year average - 122 salmon. 3 named pools. Sea trout fishing. Fishing hut. For sale as a whole or as 3 individual shares.

Edinburgh Office: Tel. (031) 226 2500. Fax: 031-226 2508. Ref. 3AA4667.

Loch Lomond — About 120 acres

Balmaha ½ mile, Drymen 4 miles, Glasgow 24 miles, Edinburgh 65 miles.

A most attractive island on one of Scotland's most beautiful lochs with four houses.

Inchfad House: Sitting room, kitchen, 4 bedrooms, bathroom. Pier Cottage: Sitting room, kitchen, 2 bedrooms and bathroom. Distillery Cottage: Sitting room, kitchen /breakfast room, 2 bedrooms. Harbour Cottage: Sitting room/kitchen, bedroom. General purpose barn. 2 private jetties and slipways. Beautifully landscaped gardens. Mains electricity and telephone.

For sale as a whole, or offers invited for one eighth shares in a syndicate.

Edinburgh Office: Tel. (031) 226 2500. Fax: 031-226 2508. Ref. 3AA4690.

13 HILL STREET BERKELEY SQUARE LONDON W1X 8DL.
Tel: (071) 629 7282. Fax: (071) 409 2359.

Knight Frank & Rutley INTERNATIONAL

WIMBLEDON, SW19

An historic Grade II* listed property of unique character dating from about 1500 with attractive grounds and gardens situated in a prominent but extremely secluded position.

Panelled reception hall, 4 reception rooms, study/library, conservatory, billiard room, family and party room, master bedroom suite with bathroom, dressing room and study, 4 further bedrooms, 3 bathrooms (2 en suite).

Staff accommodation. Swimming pool, tennis court.

Garaging for 4/5 cars. Lodge cottage. Extensive gardens.

About 2¼ acres
FREEHOLD (NHT.AD/18779)

Sloane Street 071-824 8171
152 Sloane Street, London SW1X 9DB

Humberts

Isle of Wight — Newbridge
Yarmouth 4 miles, Newport 7 miles, Cowes 9 miles

A Grade II listed house with superb views and set in gardens of exceptional beauty

The Grade II listed house having 6 bedrooms, 3 bathrooms, 4 reception rooms, kitchen/breakfast room, scullery and utility room
• Adjoining cottage with sitting room, kitchen, 2 bedrooms, shower room and WC • Outbuildings including 3 garages, tractor shed, storage and stables. Swimming pool • Spectacular gardens and grounds including 2 ponds and paddocks

Details: Humberts London office 071-629 0909

071-629 0909

BALLARDS

OXFORDSHIRE HENLEY-ON-THAMES

CHARMING COUNTRY HOUSE with Badgemore Golf Course on three sides

4 Reception Rooms, Kitchen/Breakfast Room, 4 Bedrooms, 2 Bathrooms: ANNEX of Bed/Sitting Room, Kitchen and Bathroom. Magnificent Old Tithe Barn. Garden about 1.3 acres.

(0491) 411055

30 Hart Street, Henley-on-Thames, Oxfordshire RG9 2AU

JAMES & LISTER LEA

WARWICK

A superb executive residence set in a prime position within this historic Midlands town having landscaped gardens with a frontage to the river Avon and enjoying views of the famous Warwick castle beyond.

This well appointed and immaculate detached home would ideally suit a company director or senior executive where quality charm and position are of prime importance.

Offers based on £395,000

1741 WARWICK ROAD, KNOWLE, SOLIHULL • TELEPHONE: (0564) 779187

C.G.T. OPPORTUNITY Looe Cornwall, 3 luxury beach front maisonettes £320,000. Fully furnished. MARSHALLS 0503 264888

TAYLER & FLETCHER

Gloucestershire - Cotswolds

2 miles from Stow-on-the-Wold

A comfortable small Georgian Mansion. Listed Grade II with Halls. 5 Reception Rooms. 8 Bedrooms. Staff Flat. 18th Century Stable Block and 3 Cottages (1 for complete modernisation) set in lovely mature Parkland and Farmland with exciting views.

Just over 200 Acres

Tayler & Fletcher
London House, Bourton-on-the-Water, Glos. Tel: 0451 820913

BEDFORDSHIRE MELCHBOURNE

Swineshead 3 miles · Kimbolton 5 miles · Rushden 6 miles

363 acres

A SINGLE BLOCK OF ARABLE LAND IN A RING FENCE

All registered as being eligible for arable area payments
Good access from the main road by hard internal tracks

Offers for the whole or any part

Robinson & Hall — 0234 352201 — 14 & 15 ST PAULS SQUARE BEDFORD MK40 1SN

BIDWELLS CHARTERED SURVEYORS — 0223 841841 — TRUMPINGTON ROAD · CAMBRIDGE CB2 2LD

Humberts

EAST SUSSEX

Eastbourne 5½ miles, Lewes 11 miles, Polegate Station 2 miles (Victoria/London Bridge 80 mins)

A very fine period country house with a renowned walled garden and barn for conversion to a dwelling, in the heart of the South Downs.

Hall, drawing room, study, dining room, kitchen/breakfast room, staff sitting room & domestic offices, cellar, 9 bedrooms, 2 bathrooms, shower room. Oil fired C.H. Outbuildings & stores. Staff Cottage - 4 rooms, kitchen and bathroom.

Magnificent period barn with planning consent for conversion to a dwelling in conjunction with Cottage (subject to finalising a Section 106 Agreement).

Renowned walled garden. Grounds & paddocks extending in all to about 9½ acres.

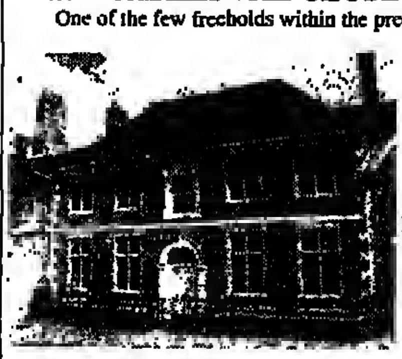
Freehold for Sale as a whole or in 3 lots.

Joint Sole Agents:
Humberts Lewes Office Tel: (0273) 478828
Freeman Forman, Heathfield Office Tel: (0435) 865055

Lewes Office Tel: (0273) 478828

THE CATHEDRAL CLOSE • SALISBURY

One of the few freeholds within the precincts of The Close



Listed Grade II*

Originally the stables to Mompesson House. 3 bedrooms, 2 reception rooms. Price Guide £425,000

WOOLLEY & WALLIS
Tel: 0722 321711
Fax: 0722 411426

---

20 MILES CHANNEL TUNNEL

Beautifully appointed detached residence adjoining CHAMPIONSHIP GOLF LINKS situated only a few hundred yards from the sea. London 2 hours. Gas central heating, 3 Reception, Breakfast Room, superb Kitchen, Cloaks, Utility, 4 Double Bedrooms, 3 Bathrooms, DOUBLE GARAGE. Landscaped gardens INCLUDING BUILDING PLOT.

Offers invited. Apply:
Colebrook Sturrock & Co. Sandwich
0304 612197

DEVON/CORNWALL CGT SHELTER

Best selection of Holiday Investment Lodges
• Full Management Services.
• Exit Routes with Capital Growth.
• Excellent Returns.
Freehold or Leasehold
Packages £28,500 to £2 million

0626 776988
VERNON KNIGHT ASSOCIATES

TWO EARLY VICTORIAN HOUSES

Centrally situated in pretty North Suffolk village. 1 with 4 beds range of brick and pantiled outbuildings currently used as studio/office with garage, and workshop with loft over. Courtyard garden leading onto large private garden. Also attached 3 bed house with small walled garden, currently used for holiday lets.

Both houses in first class order fully carpeted and c/h for quick sale.

Price £155,000 for both

TEL: 0728 79523

COUNTRY RENTALS

STRUTT & PARKER

TILLINGHAM, ESSEX

Southminster 6 miles, Burnham on Crouch 7 miles. *London/Liverpool Street 75 minutes.*

5-bedroom period farmhouse in outstanding rural location. 2 bathrooms, 4 reception rooms, mature garden, garage and outbuildings. Assured Shorthold Tenancy for 1 year. £8,000 per annum

Ref: CNO/TH/JB/D004
Coval Hall, Chelmsford, Essex, CM1 2QF
Tel. 0245 258201

GRACIOUS LIVING

An opportunity to live in a 2 bed, 2 bath apartment, within a Grade I listed Country House in Buckinghamshire set in acres of landscaped grounds with lakes. Available to let fully furnished £650 per month.

For further details contact
FINDERS KEEPERS (0865) 200012

LUXURY

Holiday Homes

IN CORNWALL

2 & 3 BEDROOM HOMES IN A SUPERB BEACH LOCATION

PRICES FROM **£72,495**

SEND FOR A FREE VIDEO

Maenporth

THIS EXCLUSIVE DEVELOPMENT OFFERS

- *Leisure complex and swimming pool*
- *Twenty-nine acres of private parkland*
- *Two all weather tennis courts*
- *Children's play area* • *Boat Park*
- *Seahorse Pub & Terrace Bar*
- *Magnificent sandy beach and south facing views*
- *2 years FREE mooring (at Falmouth Yacht Marina) for a limited period only*
- *Letting opportunities available*
- *Sauna and spa pool*

SPECIAL HOTEL BREAK
Take advantage of our special offer and stay at a luxury hotel at specially negotiated rates.

☎ 0326 250000

PILKINGTON

PILKINGTON HOMES — TEL: 0744 692940

THE COURT, ALEXANDRA PARK, PRESCOT ROAD, ST HELENS, WA10 3TT.

RETIREMENT

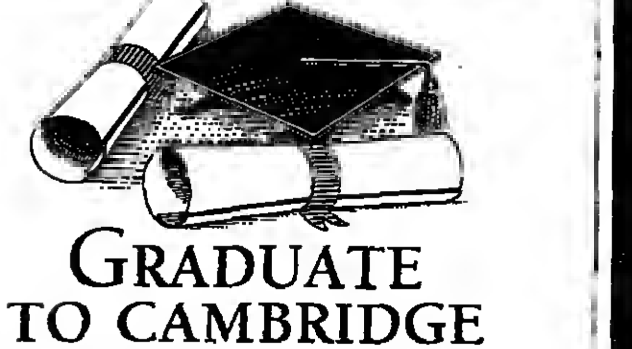
FROM LONDON TO ILMINSTER

Escape the turmoil of the traffic and discover the tranquillity of retirement in the West Country. An English Courtyard apartment at Ashcombe Court in Ilminster, overlooking the landscaped courtyard with its pond and fountain, will offer you that sense of peaceful wellbeing which is absent from city life. Despite its rural setting, Ashcombe Court is only minutes from the bustling high street of this thriving market town, with its excellent array of shops providing for your everyday needs.

Prices from £95,000 to £160,000.

To find out more about these and other properties in Middx, Somerset, Wilts, Bucks, and Oxon, please ring us for a brochure.

The English Courtyard Association
8 Holland Street, London W8 4LT
FREEFONE 0800 220858



GRADUATE TO CAMBRIDGE

Southacre Park, Cambridge. An elegant development of luxurious 2 and 3 bedroom apartments, set in acres of mature, tranquil, landscaped gardens – many with balconies or terraces. Yet just 1 mile from historic University City of Cambridge. Isn't it time you graduated to the undisguised luxury of Southacre Park?

I would like further information on properties at Southacre Park, Cambridge.
Name ____
Address ____
Postcode ____ Tel ____
Post today to Sandy Whittingdale, Southacre Park, 4 Chesterford House, Southacre Drive, Cambridge CB2 2TZ

Southacre Park CAMBRIDGE

LONDON PROPERTY

LOWNDES SQUARE KNIGHTSBRIDGE SW1

A large second floor family apartment (c. 3,500 sq.ft.) with a frontage of over 100 ft. having a west facing aspect over the square gardens.

Hall: Double Reception Room: Dining Room:
Six Bedrooms: Five Bathrooms: Television Area:
Kitchen/Breakfast Room: Guest WC:
Resident Porterage: Lift: Access to Square Gardens.

Long Lease — £2,500,000

Knight Frank & Rutley INTERNATIONAL — 071-824 8171
ALLSOP & CO — 071-584 6106 — 100 Knightsbridge London SW1X 7LB

LONDON/BELGRAVIA MEWS

Impressive period house, in charming mews off Eaton Square, spacious accommodation, decorated to the highest standard, featuring: Home office facilities, a unique "pub" in the cellar, dining room, drawing room, kitchen, 3 bedrooms, 2 baths, shower/dressing room, cloakroom, garage and private parking.

36 year lease (option 90 yr extension)
ASKING £585,000
For details Call D J Lewis
USA 1-212-316-0027
FAX: 1-212-865-4894

CHESTERTONS

BERKLEY SQUARE, MAYFAIR, W1
Impressive 6th floor, 2 bedroom flat featuring 27' reception room with direct views on to Square. Lease to 2034. £525,000.

NORTH AUDLEY STREET, W1
Investment opportunity. Entire upper parts of period building arranged as 3 flats. Ideal letting investment. Leases to 2043. P.O.A.

Mayfair: 071 629 4513

SAVILLS

EATON FORD, CAMBRIDGESHIRE
(Access A1 1 mile/Kings Cross 45 mins)

Substantial period house with frontage to the River Ouse. 3 Receptions, 10 bedrooms, 2 baths (one ensuite), attic room, double garage. About 1 acre.

OFFERS INVITED.
SAVILLS (0223) 322955

LITTLE VENICE/ MAIDA VALE

The Specialist Local Agents
TEL: 071 289 1692
FAX: 071 266 3941
VICKERS & CO.

BUYING FOR INVESTMENT? We identify the best opportunities for you throughout central London and provide a complete package service: Acquisition, Finance, Furnishing, Letting and Management. For full details tel: MWIPC - 071 493 4281

TOTTERIDGE GREEN - LONDON N2 Superb f'hold prop. in exclusive location. 4 Beds - 4 Recep - Cons - Dbl Gar S/C Annexe. App. 1½ acres sec. gardens and grnds Distant rural views £680,000 f'hold. 0494 890383 Richard Watson & Assoc.

BARBICAN EC2 Sth facing 1 bed duplex with balcony. £92,500 Barnard Marcus Tel: 071 636 2736 Fax: 071 436 2649

BARBICAN A 6th floor one bed flat refurb'd between Dec '92 and Jan '94. £125,000 Frank Harris & Co 071 600 7000

CITY EC4 1 bed pied à Terre with partial river views. £69,950 Barnard Marcus Tel: 071 636 2736 Fax: 071 436 2649

CHELSEA HOMESEARCH & CO We represent the buyer to save time and money: 071 937 2281, Fax 071 937 2282.

LONDON RENTALS

CLUTTONS

THE CIRCLE, SE1
1 Bed Furnished Apt close to Tower Bridge. Balcony over Communal Garden, Secure Parking. Leisure facilities with discount for residents. £195 p.w.

ADMIRALS COURT, TOWER BRIDGE PIAZZA, SE1
2 Bed Furnished Apt with 2 Balconies overlooking Tower Bridge. Secure Parking. £320 p.w.

VOGANS MILL, SE1
2 Bed furnished Apt close to Tower Bridge. Many Original Warehouse Features, Secure Parking £285 p.w.

Contact Meriel McCarthy, Docklands Office: Tel: 071 407 3669

PORTMAN SQUARE W1

Luxury spacious flat ideal for corporate use. Large reception, dining room, two double beds, dressing room, two baths with shwrs (one ensuite) f/f kitchen and balcony. Access to garden & tennis courts. Garage by sep. neg.

£450 p.w.
Ernest Owers & Williams
Tel: 071 629 8386

KENSINGTON/CENTRAL LONDON

Largest selection of quality properties, £180-£1500pw. From 3 wks to 3 yrs.
Chard Associates
071 938 2605. 10-7pm

KNIGHTSBRIDGE

Excellent furnished studio flat with stunning views Nr Harrods. £650pcm

Tel: 071 584 8646.

BARBICAN & CITY Selection of flats to let from £550pcm. Min 6 months. Frank Harris & Co 071 600 7000

INTERNATIONAL PROPERTY

SOTOGRANDE. SOUTHERN SPAIN

GOLF & MARINA ESTATE
For luxury resale villas & beachfront apartments.
EURO PROPERTY ADVISERS
Tel: 0725 519251
Fax 0725 519394

FOR SALE

Northern Portugal - Minho
New Luxury Manor House
Near Beautiful Beaches.
Excellent 5 Bed - 4 Bathroom (1 Jacuzzi).
Large Dining and Parties Room.
Quiet Position.
Superb Sea and Countryside View.
Close Highway (This Year)
Call Fax: 351 2 5504511

INTERNATIONAL PROPERTY TRIBUNE. Free property & service magazine. Request line 0483 455254 Fax 0483 454998

COSTA DEL SOL PROPERTIES Marbella Offices. For information & Price list ring 081 903 3761 anytime. Fax 3559

APPOINTMENTS

PENZANCE, South Cornwall. Residential Estate Agency Manager required. Miller & Company. Please write with a full Cv to: Debbie Frost, Miller & Co, Mansion House, Truro TR1 2RF.

INTERNTIONAL PROPERTY

Isle of Man ProSearch

The property specialists

To buy this (or other) attractive properties Tel/Fax (0624) 882186 for more information

---

MONTE-CARLO

3 room apartment with a wonderful view overlooking Monte-Carlo and the Beaches,

5 Million FFr (R12).

AGEDI
7/9 Bd des Moulins MC 98000 Monaco
Tel 33-92 165 959 Fax 33-93 501 942

SWITZERLAND

Sale to foreigners authorised
Our speciality since 1975

Lake Geneva & Mountain resorts

You can own a quality APARTMENT/ CHALET in MONTREUX, VILLARS, LES DIABLERETS, LEYSIN, GSTAAD Valley, CRANS-MONTANA, VERBIER, etc. From SFr. 200'000.– Credit facilities

REVAC S.A.
52, rue de Montbrillant-CH-1211 GENEVA 2
Tel. ++41.22 / 734 15 40 - Fax 734 12 20

COTE D'AZUR

MANDELIEU/LA NAPOULE

Large luxury 1 bed apartment. Sleep 4. South facing terrace situated in beautiful Provencale style setting on private domain with pool, tennis & club house. 5 mins beaches & golf clubs.

L135,000 ffr

TEL: 0923 855476

NEW YORK CONDOMINIUM

LINCOLN CENTER & CENTRAL PARK

Opportunity to purchase brand new condo with fabulous NYC views. Technologically advanced construction & design. On-site health club. Floor plans & prices available upon request.

Jean Klein, Vice President
Tel: 212-326-0338 Fax: 212-888-9424
GREENTHAL RESIDENTIAL

DEAUVILLE OPPOSITE CASINO

Spacious studio. Sleeps three with garage & cellar in prestigious building with balcony-overlooking gardens. Quiet one block from sea.

PRICE 900,000 FF

Principals only phone in first instance Mme Tracer in Paris on (33) 1 47 22 83 91 or Deauville (33) 31 98 42 9

WORLD OF PROPERTY MAGAZINE The best & biggest. For your FREE COPY Tel: 081 542 9088 Fax: 081 542 2737

GUERNSEY - SHIELDS & COMPANY LTD 4 South Esplanade, St. Peter Port. One of the island's largest independent Estate Agents. Tel: 0481 714445. Fax: 0481 713811.

FRENCH PROPERTY NEWS. Free Monthly Old, new and old prop., legal column etc. Ask for your free copy now 081-942 0301.

GENEVA 12 MINUTES - French village 8 min Geneva centre, superb sunny mod house 1/3 acre, Magnif views Mt. Blanc and Alps, 230 sq m plus cellar, 5 beds, 3 baths, dbl gge htd swimming pool. FFr 4,800,000. Tel (33) 50427101 or (41) 229198867 (office).

COTE D'AZUR near Monaco, stone built villa of character, 5 dbl bed, 2 recep, 3 bath, pool, furnished, 2 independent flats, £385,000. Tel: 010339357 2852

Weekend FT

WORLDWIDE RESIDENTIAL PROPERTY SUPPLEMENT

SEPTEMBER 24th 1994

Published in London, Paris, Frankfurt, New York and Tokyo.

If you have residential property for sale or to let in the UK or overseas advertise in this SPECIAL ISSUE which will reach approximately 1 million home buyers or tenants in 160 countries.

Examples:

LINEAGE at £10 per line
(minimum 3 lines)
(5 words approx per line)
e.g. 3 lines = £30 + VAT.

CANNES CENTRE APT. 82 sq. m. 2.7 acre gdn. 20m pool. priv. One owner. Tel: 0428 607282

DISPLAY at £35 per column cm
(minimum size 3x1)
e.g. 3cmx1col = £105 + VAT

S.W. FRANCE RURAL POSITION.
Easy reach of large town. 500 acres gently sloping North to South. Superb situation & climate. 1 hour to Mediterranean. Planning granted for leisure and residential.
Enquiries
Tel: 0336 741414 or Fax: 0336 741415

DISPLAY with photograph
£35 per col cm mono
£48 per col cm colour
eg 7x1 Mono = £245 + VAT
7x1 Colour = £336 + VAT

La Mancha, Spain

EXCLUSIVE SHOOTING ESTATE
Fantastic wild partridge shooting. A magnificent, newly built and fully decorated manor house 770 ha plus lease, 300 ha. Price: £1.3m
Fax (Int) 46 8 21 49 76

FOR FURTHER DETAILS CALL 071 873 4935 FAX 071 873 3098

If you have a property you wish to promote in this special worldwide supplement complete the coupon and send to: Sonya MacGregor, Residential Property Advertising, Financial Times, One Southwark Bridge, London SE1 9HL.

I would like: LINEAGE / DISPLAY / DISPLAY + COLOUR PHOTO / DISPLAY + MONO PHOTO

Please enclose your text and photo if appropriate or complete the following lineage form (with approx 30 characters per line).

____
____
____ £30
____ £40
____ £50
____ £60

Name: ____
Address: ____
Daytime Tel No. ____
Payment (Cheques to be made payable to the Financial Times)
☐ Cheque ☐ ACCESS ☐ VISA ☐ AMEX
Card Number: ____
Expiry Date: ____
Please debit my debit my credit card with: £ ____
Signature: ____

COPY DEADLINES: COLOUR 7TH SEPTEMBER, MONO 14TH SEPTEMBER

PROPERTY / GARDENING

Cadogan's Place

Results reflect London's strength

Results from Savills and John D. Wood, for the year ended April 30, reflect the strength of the London property market. Savills' pre-tax profits increased 125 per cent, from £1.44m to £3.24m, with the agricultural and residential side contributing £1.19m (£458,000) thanks to firmer London and farmland markets. Foreigners made up more than 40 per cent of the buyers in London.

Wood reports pre-tax profits of £681,000, against a £291,000 loss the year before. London turnover was more than 50 per cent higher, and near the peak of 1987-88, while country and agricultural turnover rose 24 per cent. The price inflation rate in central London has been around 20 per cent in the past 18 months.

■ A report from Cluttons reveals an average central London price rise of 10.3 per cent in the year to June 1994, with roughly a fifth of that coming in the second quarter of this year. Houses increased more than flats.

Fulham and Pimlico have risen more – proportionately speaking – than Knightsbridge and Kensington; indeed, the short supply of houses in Fulham led to an average annual increase of 16.3 per cent, which is almost twice as much as for flats (8.2).

■ Handsome price, handsome flat . . . agent de Groot Collis (071-235 8090) is seeking offers of more than £2m for the 28-year lease of a ground-floor Knightsbridge apartment in Cadogan Square, SW1. Besides use of the garden in the square, it opens on to a shared garden at the back of the terrace. But its treat is spectacular joinery: French oak floors and deep mahogany in one bathroom. The other has burr maple, even on the lavatory seat and the ceiling. A huge mirror emphasises the beautiful grain of the wood – and the sense of being in your own early-18th century cabinet.

■ The major part of a Gloucestershire village manor house with three acres of grounds and gardens is being offered for sale, freehold, by Butler Sherborn of Burford, Oxfordshire. (Tel: 0993-822325). It is looking for offers of £395,000 for the seven-bedroom property on the edge of Kencot, a Cotswold stone village, 14 miles from Swindon and 22 miles from Oxford. The house, listed grade II, is believed to date to the early 17th century.

■ Lovers of Victorian architecture are offered a rare opportunity at Ramsgate, Kent. The Grange, built by architect and writer A.W. Pugin early in the 1840s, is for sale, coinciding with an exhibition about him at the Victoria and Albert Museum in London. This house was a revolt against the classical/Georgian tradition in domestic architecture, and affected design for decades.

In brick and stone, it has three floors and an imposing tower with views over Ramsgate harbour to the Channel. The stained glass in the chapel includes saints Augustine and Gregory, plus Pugin and his wife and family. The price is £300,000 from Knight Frank & Rutley in Tunbridge Wells (0892-515 035).

■ At South Holmwood near Dorking, Surrey, a house designed by Sir Edwin Lutyens in the Dutch style is on offer for £400,000 from John D. Wood (071-493 4106). Called The Dutch House, it has an unusual Y-plan.

G.C.

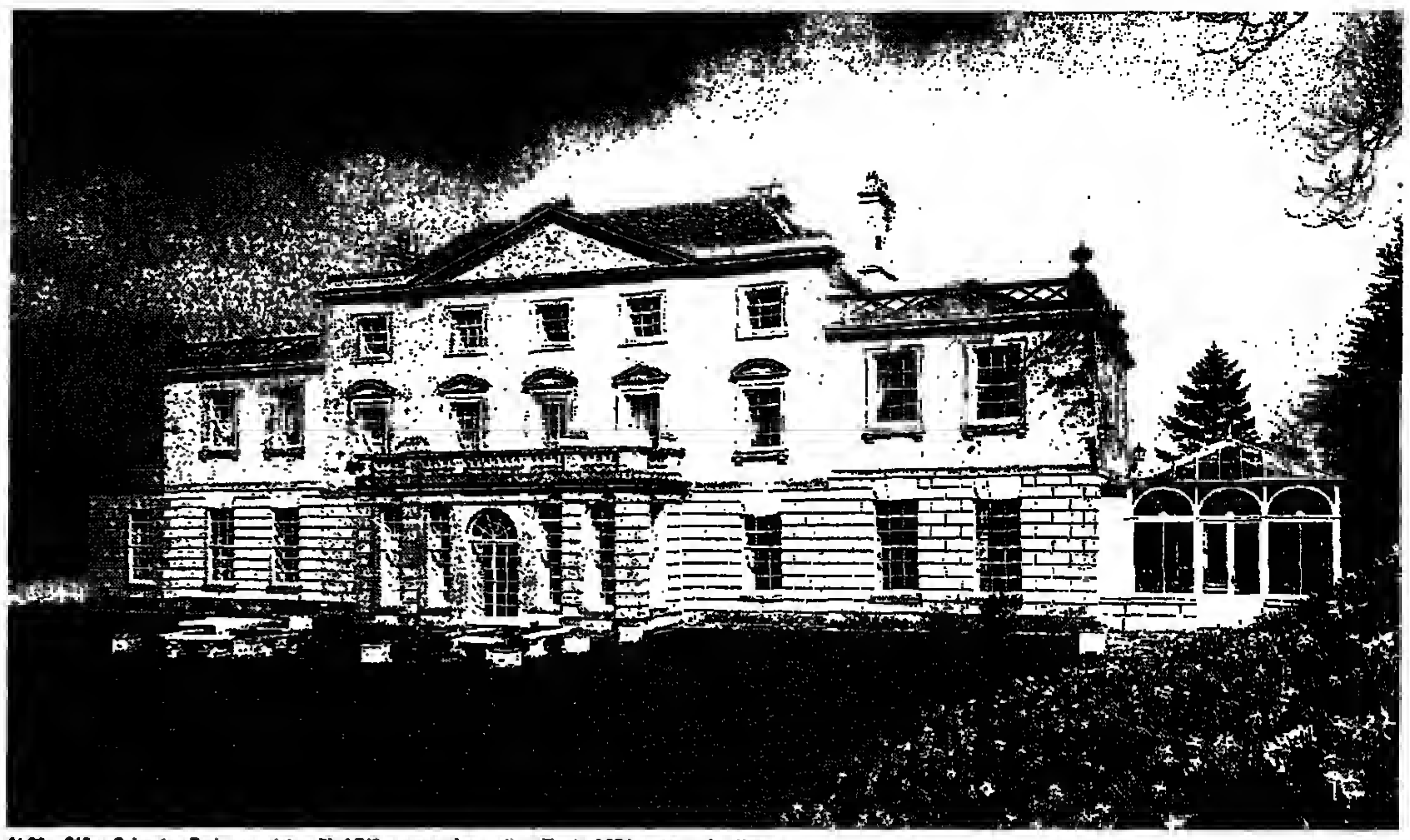
For those who fancy a village of their own

Not all country estates contain such a bonus. But there are plenty of other reasons for spending big on rural living, says ***Gerald Cadogan***

At £3.5m: Chilham Castle, which comes with 298 acres

At £2.75m-plus: the Haycroft estate in the Cotswolds

At I£500,000 under the hammer? Woodbrook House in Co. Wexford



At £8m-£10m: Salperton Park, complete with 1,748 acres and an entire village of 25 houses and cottages

It is rare that a complete estate – including the village – comes up for sale. The last one was Glympton Park in the Cotswolds, sold to controversial Australian tycoon Alan Bond in 1988 for a reputed £11m-£13m. (It was sold on 18 months later.) Now, another Cotswold estate is for sale with 1,748 acres and an entire, unspoilt village of 25 houses and cottages.

Between £8m-£10m will buy Salperton Park, a late-Georgian mansion set amid parkland in one of the most beautiful parts of England. Village apart, the deal includes a farm, 199 acres of woods, and a partridge and pheasant shoot. The vendor is Victor Watkins, a building entrepreneur, who bought it in 1981 and has improved house and land greatly. The agent is Savills.

True estates are large parcels of land, usually over 500 acres (unlike the houses with a few acres that agents label "estates" to make them sound more than they are). Buyers are attracted for various reasons: among them the house, the shooting or the farming.

Most buyers have not owned an estate before, and where to pitch a bid is an art. Buying agent William Gething, of Property Vision, first works out the price of its parts – which may be the same as the lots into which large properties are often divided – and assesses how many others could be interested. Then he looks at the drawbacks. Is the house too near a road? Does the land have gaps where bits were sold off in the past?

Then comes the tricky question: is the whole worth more than the sum of the parts? For Salperton, which is so clearly a unit, the answer is yes. The same would apply to another Cotswold estate, Haycroft, near Northleach, for which Savills is seeking offers over £2.75m.

This has fewer acres (636) than Salperton but house and land are in a valley, which helps to integrate the other buildings – a mill house, three cottages, barns and a stable-yard. Then, too, there is pheasant and duck shooting.

For Savills, 1994 is proving a bumper year for marketing estates. Also on the firm's books (for £3.5m) is Chilham Castle and its 298 acres in Kent. There is a 17th century brick mansion (with additions) and a garden said to have been shaped by the noted designer John Tradescant.

Chilham is near the Channel tunnel station at Ashford and there have been inquiries from abroad. Possible uses are as a hotel or some other type of leisure development – the castle has been open to the public – or a company headquarters.

Other residential estates for sale include Westhall (430 acres) in Aberdeenshire, a tower house with Victorian extension plus a sauna, heated swimming pool and tennis court, all indoors to defeat the Scottish weather (from Smiths Gore: offers over £1m); and Zeals (375 acres) in Wiltshire, listed Grada I (Egerton, £2.25m).

Owners usually prefer to sell an estate as a whole in order to maintain what they have cherished, but this does not always work out. At Tythrop near Oxford (Savills), the farmland is mostly under offer but the magnificent big house awaits a buyer. At Stratton Audley near Bicester (Strutt & Parker), and Brede Plsce in East Sussex (KFR), the house has gone and the land waits.

Christopher Wilson, of buying agent Wilson & Wilson, stresses that farming is a profitabla business again. Although uncertainties lie ahead – such as how the European Union will review the money-gulping Common Agricultural Policy – he says that "net pre-tax yields of 9 to 10 per cent are feasible if there are enough economies of scale". This usually means buying more land while using the same number of men and machines. His firm will prepare a business plan, including a three-year cash-flow analysis, for a new owner.

Financial institutions selling farming estates, such as Ariel Farms (part of the BBC pension trust), will do very well as land prices have risen steeply over the past 18 months.

In Cambridgeshire, Ariel (through KFR) is offering Woodwalton (1,693 acres) at £2.95m (to include two farmhouses, three cottages, farm buildings and a shoot). In Essex, Ariel has Little Braxted Hall (737 acres), with a superb partridge shoot – the vendors advise retaining the gamekeeper – and an irrigation licence for 30m gallons to ensure the best potatoes (also KFR, offers over £1.75m).

The best sporting estate on the market is Gunnerside (26,485 acres, mostly heather) in West Yorkshire, with a rich variety of beats and some of the most exciting grouse shooting in Britain. Savills seeks substantial offers. The same agent is asking £1.35m for Scargill (4,222 acres) with a smaller grouse moor in Teesdale, Co. Durham, where Murray is joint sgent.

Where, though, do the pounds go furthest? Probably Ireland. The splendid Woodbrook House in Co. Wexford, with a 39ft-long drawing room, a cantilevered spiral staircase and a park, is on sale for the first time since the house was built in 1780. Hamilton Osborne King will auction it in Dublin on August 9, suggesting I£500,000 for house and 238 acres.

■ *Information: Hamilton Osborne King, Dublin (010-353-1-676 0251); Knight Fronk & Rutley, London (071-629 8171); T. Murray, Haswell (091-526 1191); Property Vision, London (071-602 8788); Savills, London (071-499 8644); Smiths Gore, Forfar (0307-468 080); Strutt & Parker, London (071-629 7282); Wilson & Wilson, London (071-738 9889); Withers, London (071-936 1000).*

Gardening/Robin Lane Fox

Why not host a hosta in a civilised setting?

Hosta fortunei albopicta: slugs love it

Ardea London

Whenever something improves, other people complain. Why ever do we listen? For nearly five years, they turned me off a gardener's godsend; they let me shelter behind the excuse that my new garden was too dry.

In the 1970s, I grew hostas like an adventurous madman. They revelled in my beds of pure pig-manure. Then, people started complaining thst they were over-bred and over-priced. Their great suppliers in America seemed to have lost sight of reality: could you really face up to owning a hosta called Zounds?

Even if you cannot identify a hosta, you have probably got one. They are those richly-leaved plants which reappear in spring in shades of green, blue and green-yellow and which are about to flower on long stems with mauve and white tubular buds.

Since the 1960s, the fanciers have moved in and the rest of us have found that these boldly-leaved plants are almost indestructible. Today, there are hosta-groups, hosta-freaks and I suspect that people swap them like horticultural Tupperware.

But slugs remain their greatest admirers. If we can kill off the slugs, we may one day have a hosta war. The balance of trade is tantalising. In the wild, the best hostas grow in Japan. Hosta fluctuans is grown beside many Japanese doorways and its leaves are used in a clever recipe for rice.

There were Japanese breeders of hostas in the 1950s, but the Americans saw their potential, took parents home and made them a plant for the family yard. Their market is enormous, but the Japanese are returning to the children of their heritage. They are continuing to breed new forms and are planning to bring wild varieties into London.

In Britain, we use them fully, encouraged by all the experts and well served by our leading nurseries. Hostas belong in the most civilised and fashionable settings. The big grey-blue leaved sieboldiana Elegans is the perfect foil for the taller older-fashioned roses where it was often used by that great garden-planter, the late Lanning Roper.

Hostas now turn up in pots on their own, a favourite feature of no less a designer than David Hicks. There are now so many that you can host a hosta in any good garden: seven years in a row, Sandra Bond, of Goldbrook Plants, Hoxne, Eye, Suffolk, has won gold medals for her stunning exhibits at Chelsea. She has the biggest list, both home-bred and American. From the Hosta Society, you can also try the Bowdens at Cleave House, Sticklepath, Okehampton, Devon.

The ins and outs concern pots, stamina, scent and naming. First, the matter of pots. Hostas should not be lost in the potted jungle which I otherwise champion: they look and grow best in a pot to themselves. The problem is that most of them develop very deep roots over time: they have split a clay pot with me and will do the same in terracotta.

There are golden rules, endorsed by Sandra Bond. It is best to pot a hosta in stages, from a small to a greater size over the years: do not start it in a large urn when it is young. Always pot it in a plastic pot which is expendable: put this plastic holder inside a clay or terracotta pot, both to ease the watering and to guard against the power of the roots. Against slugs, use greasing. The hosta's greatest enemy is not a gardener on holiday: it is our slimy friend. An experienced reader tells me that she smears Vaseline on her pots' collars and that it keeps off the invader. Slugs cannot ooze their way across grease.

Next, scent and stamina. In pots, the best forms are the fortunei group because they have the most shallow roots. They are also good in gardens. I have gone off the highly popular Frances Williams, which was the star of the early 1980s, because its stale yellow edging on the blue leaf turns down in dry weather and is slow to develop. My new stars are Sum and Substance, the blue-leaved Blue Angel and Halcyon and the scented Sugar and Cream and Summer Fragrance.

Of all these forms, Sum and Substance is the most remarkable. It makes a clump of green-gold leaves for which one plant suffices in isolation. It grows in sun. It is starting to flower today in its second year and, after a preliminary defence with slug bait in April, it is left alone by slugs. Its leaves are too tough, like cheap steak. At £8 a plant, it is well worth it, especially as it can soon be divided.

Scented hostas are also on the way up. For years, I battled with the old Edwardian favourite, plantaginea, which Gertrude Jekyll used so prettily in her green shaded courtyard which linked the house and garden. Its white flowers are hugely pretty and do appear with me, but I realise that they refuse to show in the Midlands and the North. The new Sugar and Cream is variegated and far stronger, even in colder areas. We can expect great things from the new Fragrant Bouquet, which costs £19 and is a top Bond recommendation: one for a bond-dealer's birthday.

Lastly, the names are a serious problem. At Hampton Court flower show, even I could see that some of the exhibitors were giving hopeful names to hostas which the experts would not validate. It is essential to buy from specialists, as many of their plants will be divisions from a supervised stock-parent.

The trouble is that hostas are re-emerging and are stunning value for small urban gardens. Price is slightly less important where you can only house a few good features and, although a hosta disappears in winter, it has the quality of a natural sculpture in a slug-free area. Wherever there is money, there is muck.

It takes several years for a young hosta to develop its full quality and you should never judge one on its first three seasons. Inevitably, general traders may fail to realise that their promising young plant is not the true speciality which experts can identify.

The last five years on the sidelines have taught me how much has changed among the scattier innovations with names such as See Saw. Already, breeders have blue-leaved forms with the elusive white edge. They will soon be within our reach and, meanwhile, everyone is after a better texture. The state of the art is to breed a hosta too solid for slugs. Let us hope that it is not too leathery for gardeners who share a slug's view of beauty.

BOOKS

Stark tale of decade's evil drug

***Keith Hellawell** discusses the horrific challenges posed to society by crack cocaine*

Newspaper headlines and American films form most people's perceptions of crack cocaine. Jon Silverman's book reveals what the drug looks like, its origins, how it is used, its cost and its effect on the user. He also describes those involved directly with it: the law enforcers, the increasingly ruthless dealers and the desperate addicts.

His insights dispel any lingering doubts about the evil of crack cocaine and the threat it poses to our society.

The focus is mainly on Britain and Silverman levels some criticism at our failure to develop a comprehensive strategy to deal with it. Crack is a relatively new drug in Britain, so to some extent the criticism is justified. But it is still difficult to find any government or law enforcement agency which would claim to have the answers.

Earlier this month, I attended a conference in New York with representatives from many countries; we shared views, we compared problems, we examined our policies and solutions. But we are all in the same boat – there is still no comprehensive answer to the crack problem.

The text outlines that problem and describes specific operations by the Customs and the police. Some of these accounts are personalised a little too much, making it appear as if it was a singla officer with persistence or flair who was the sole driving force. While this is partly true, an individual needs the support of a team and the strength of an organisation behind him or her to operate effectively.

Silverman does, however, capture well the feelings and emotions of officers involved in operations – their fears and frustrations, the highs and lows, their personal sacrifice in the constant pursuit of justice.

As to the traffickers and peddlers of this obnoxious cocktail, crack; towards the end of his book Silverman mentions the white criminals who see drug trafficking as less dangerous and more lucrative than robbing banks and have their own way of importation (probably gleaned from American movies).

He pays most attention, however, to the formation, growth and development of the Jamaican criminals known as "Yardies". The early political support for these vicious criminals, their spread through the US into Britain, the trail of senseless violence and the apparent lack of remorse is terrifying.

The accounts of summary executions, gang warfare not seen since the days of Prohibition, torture – one woman had a hot iron pressed against her face then was doused with boiling water to make her talk – is horrific.

CRACK OF DOOM
by Jon Silverman
Headline £16.99, 256 pages

The haphazard nature of their groupings, their false identities, the peripatetic nature of their lives – moving on false passports, between here, the US and other countries – make these criminals difficult to target. The job of the police is made even harder by the fear of violence among potential informants, the near impossibility of operating undercover in these areas and the fear of being dubbed racist for mounting large operations in black areas.

The advent of personal radios and an army of children willing to act as lookouts and warning sirens exacerbates the problems, which are ably covered by Silverman.

For users of the drug, the picture is perhaps bleakest of all. Their lives are taken over completely by little rocks of crack as they fall, almost irreversibly, into the fires of utter dependence and show a willingness to maim, kill or even sell their children to maintain their habit.

The human depravity which lead to the sacking of Rome pales into insignificance alongside the lives of some crack users. Whether we feel that they are victims or villains, we cannot or must not ignore them – and as yet we have no proven cure for their addiction.

In this very readable snapshot of a 20th-century drug, Silverman offers the reader an honest picture of the effects of such a vicious drug on our society but does not, and probably cannot, offer solutions.

He hopes that crack will run a cycle – he postulates 10 years and says we have five to go. I will not hold my breath.

The reader can, however, be assured that all law enforcement agencies throughout the world now know a great deal more about crack and its wake of violence and criminality.

Improved intelligence networks, spearheaded in Europe by Europol; better liaison and sharing of information supported by the recently formed National Criminal Intelligence Service, and multi-agency targeting operations of the criminals involved are all part of our 1990s armoury and in this we do achieve much success.

But if we are to eradicate this drug from our society we must help people, particularly our young, to recognise crack for the plague that it is and convince them to avoid it. They need help and they need it now.

Keith Hellawell QPM, is chief constable of West Yorkshire Police.

Housewives and comrades

***John Lloyd** on the women behind the Kremlin walls*

'Both Martha and Mary . . . most favoured and most in peril' – Idealised Soviet womanhood depicted in a propaganda poster

The central interest of this book is the witness it bears to people – men and women – living lives under conditions we cannot understand or judge without a large effort of imaginative reconstruction.

It is only moderately well written (though it appears to be well translated) and it is sloppy like much of Russian writing on current affairs – great unevenness as the writer's interest waxes and wanes, analytical short windedness, sentimentality breaking through and minimal sourcing.

But the fascination of the subject – the testimonies contained within it to the lives of women who were at once monstrous and oppressed, most favoured and most in peril of their lives, expected to be at once "both Martha and Mary, housewife and comrade" – compensates for these defects.

Apart from the last chapters, where recent Kremlin wives are presented as brief cardboard cutouts, the character sketches are quite readable.

The portraits of the first wives are the best and most poignant. Nadezhda Krupskaya, who married Lenin on his exile to Siberia in 1898 and who outlived him by two decades, is drawn as a woman whose enforced modesty of expectation for herself – genteel-poor and plain – led her to Marxism, then to Lenin.

Inhibited and puritan, she and her mother were nevertheless friendly to Lenin's probable mistress, Inessa Armand – her temperamental opposite but comrade all the same. Lenin's amanuensis in the years of exile, she adapted with avidity to the role of purger of bourgeois filth from the school syllabus after the revolution – banning a vast codex of Russian and foreign authors, including Dostoyevsky, Blok, Akhmtova and Pasternak.

KREMLIN WIVES
by Larissa Vasilieva
Weidenfeld & Nicolson £20.00, 241 pages

Vasilieva comments, rightly, that "had (she) wielded supreme power, she would have inaugurated a cultural inquisition far more effectively than Stalin because she was better educated than he was. It was not just a matter of who ultimately led the party machine, but of the machine's ultimate cruelty."

At least Krupskaya was in charge of her own life to some extent and – though famously sworn at by Stalin during her husband's final illness – was untouchable after his death.

Stalin's own (second) wife, Nadya Alliluyeva, was half his age, gently reared in Georgia, yet apparently strong willed.

Her suicide remains a mystery: Trotsky, an unreliable witness, believed it was a murderously prompted suicide, with Nadya killing herself after being "showered with obscenities" by Stalin at a Kremlin party.

Vasilieva, with no proof, appears to plump for murder, saying that she "had to die. Her presence would have prevented Stalin from fulfilling his historic mission. He would tolerate no obstacles on his path, especially female."

Though Stalin, Vasilieva believes, had affairs, he encouraged a reassertion of outwardly bourgeois morality in sexual behaviour which snuffed out the bohemianism of the early Bolsheviks.

Armand herself, Alexandra Kollontai and the beautiful and flamboyant Larissa Reisner were among the leading women proponents of a sexual liberation, that included the acceptance of a woman's right to initiate sexual advances – a huge leap for the generally middle class or even noble ladies who were the leading revolutionaries.

None of those who lived into the 1930s were heroines, though many are said to have been kind. The iron imperatives of the party and the terror it inspired entered them as it did their husbands, displacing what our age sees as the priority of personal satisfaction and individual affections with a rigid assumption that the party always comes first.

Kollontai did not lift a finger to save a former lover from Stalin, even when she was ambassador to Sweden: later, Marshall Budyonny, Commissar Molotov and even Soviet President Kalinin all submitted to their wives being arrested, imprisoned, tortured, probably raped and sent to camps while the men – uncomplaining – laboured on in their high posts.

When released, these wives returned to their husbands and in the case of Paulina Zhemchuzina, wife of Molotov and a victim of the anti-semitic purges of Stalin's last years, to the party and to devotion to Stalin. When he saw these men, Stalin would tease them about missing their wives.

Khrushchev, the de-Stalin-iser, makes the break for the wives too. Nina Petrovna, his wife, "reassured terrified Americans as they saw that this vast empire was now ruled by a funny fat man and his provincial wife, clutching her handbag to her ample stomach". Nina Petrovna had had a tough life in Ukraine before she ascended the increasingly comfortable ladder of power.

Vasilieva says that her priorities were in the end personal: "She still loved the party and fondly recalled past purges(!) – yet she would not sacrifice her life's companion to its gaping maw".

While it is too diffuse and fragmentary to be a good book, it does lift the curtain on lives where idealism, self-preservation, fanaticism, pity, ruthlessness and stoicism mixed into a state of mind which was to dominate and cow a country.

Façade of fragility

***Nigel Andrews** on the enigmatic Audrey Hepburn*

Audrey Hepburn was one of the most entrancing screen heroines of the post-war generation. Yet she never appeared a career film star.

She hid the word "talent", seemingly, inside the word "dilettante": which left anagrammatically another key Hepburn word, "diet".

She was an airy, pencil-thin beauty who had suffered from bouts of bulimia and anorexia; and in her later years as a Unicef worker she looked scarcely less malnourished than the African children with whom she was photographed.

Alexander Walker's biography does this semi-invisible sprite full justice. He subtitles the book "Her Real Story": which means that the family skeletons are wheeled out early from the walk-in cupboard, brushing through the daughter's Givenchy dresses on the way.

Father was a Nazi propagandist who spent the second world war in a British jail. Mother was a Mosley supporter who wrote for Oswald's fascist rag Blackshirt. There is a photograph of mum on the steps of the Nazi Party HQ in Munich and there are "well-attested reports" that both parents attended Nazi rallies.

This is piquant stuff for anyone who had suspected a different upbringing: that Audrey – to judge from the pedigree manner – had been brought up in a palace made of porcelain, where the tinkle of tea sets vied with the distant cry of peacocks.

Yet a problem childhood – father, as well as being a political rotter, walked out on the family when Audrey was young – may account for the star-making oddities in her personality.

There was that low, lovely, gulpy delivery, full of mysteriously-sourced nervous energy. And there was the feeling, in films as varied as *War And Peace*, *The Nun's Story* and *Breakfast At Tiffany's*, that the lithe and soaring charm just *might* be broken, given the right nemesis, on the wheel of brute ordinariness.

Walker keeps his book moving even when banality does threaten to break into Audrey's life: which is not often. Chapter headings have the thump of a Saturday matinee for adults. "The Girl With Death In Her Shoes" is the title for the section about Audrey's wartime exploits carrying anti-Nazi leaflets into occupied Europe. And JFK's death has a surreal tragic eclat – the actress broke down in her dressing-room – amid the fluffy frivolity of shooting on *My Fair Lady*.

AUDREY: HER REAL STORY
Alexander Walker
Weidenfeld & Nicolson £18.99, 319 pages

Like any good heroine in the mystery drama of Life, Audrey also had a doppelganger.

Her career and that of Leslie Caron, Walkar notes, were bizarre reflections of each other. Each began as a ballet student; each went on to specialise in adorable gamine roles: each starred opposite Fred Astaire in consecutive 1950s musicals – *Daddy Long Legs* (Leslie) and *Funny Face* (Audrey); each had a major success, on stage or screen, as Gigi and later as Ondine.

But Audrey was more than just a pretty – or funny – face. When Billy Wilder picked her for two early roles in *Sabrina* and *Love In The Afternoon*, it was because he saw the native intelligence: "She looks as if she could spell 'schizophrenia'." And Richard Avedon pounced on her, during his period as a Hollywood shutterbug, and immortalised those strange wide eastern features, like a pixie graduated from a Peking sixth form.

Audrey finally did run into the buffer of brute ordinariness. She met and married Mel Ferrer. But Walker argues that she probably needed his prosaic, domineering guidance.

For years he acted as her agent and minder: the only roles he seemed up to in his own dull but persevering career. In *War And Peace* Ferrer's Prince Andrei is the price we pay for Audrey's Natasha. And who can forget, once read, Michael Powell's comparison of Ferrer's stage performance in *Ondine* with that of France's Louis Jouvet. "When Jouvet paused, the audience paused. When Mel paused, the whola play stopped dead."

In later years, thanks to spending more time with Mel and the family, Audrey's screen acting became occasional. But she delivered a brace of late delights in *Two For The Road* and *Robin And Marian*. And for a woman about to tread the famine lands of developing countries, she showed a bizarre persistence, right to the last, in claiming her own glamour rights.

Those Givenchy dresses were a point of principle. She even asked for one to play tha dowdy spinster in *Summer And Smoke*. (Result: the role went to Geraldine Page.) But then Hepburn knew her worth. She wanted the right dress in the same way that she wanted the right truck in her charity safaris: because they helped do the job.

The job in Hollywood was to be a ministering angel to glamour-starved audiences in the recovery years after the war. The job in Africa was to be a ministering angel to more literally starved people in the recovery years that never end. And perhaps the actress' Unicef devotions were a last, late bid to make up for those guilt-bequeathing parents.

Fiction/**Anthony Curtis**

Gown v town

When John Wain died in May, aged 69, he had been working on his trilogy of novels set in Oxford for the past decade.

Parts one and two, *Where The Rivers Meet* and *Comedies*, appeared in 1988 and 1992. Posthumous publication of *Hungry Generations* completes the work; it is built around tha lives of two brothers, the sons of an Oxford publican. One is a skilled worker at the Morris factory at Cowley, and the other a history don at an imaginary college called Episcopus.

Where Rivers Meet is the over-all title. Not only does Oxford stand at the confluence of the Thames and the Cherwell, it also has two distinct faces, as a centre of industry and of learning, both of which are contained in the work.

There is rather more of gown than of town in this final volume. Events are seen through the mind of the academic brother Peter Leonard. By 1948, when it starts, he has reached the age of 38, and he remains in Oxford teaching history until the crunch-year of 1956 with news of the Suez adventure, and the march of Soviet troops into Hungary, reaching him as the story ends.

It was a conscious gamble by the novelist to stake everything on Oxford. It has been done to death in detective fiction and often used by serious novelists such as Compton Mackenzie, Waugh and Murdoch who have looked back to their time there as an essential element in a larger work – *Sinister Street*, *Brideshead Revisited*, *The Book and The Brotherhood*. But to find it treated by a novelist as the summation of a lifetime's experience is unique.

Wain leaves one in no doubt as to his deep affection for the city in spite of the spoilations of Billy Morris, as the hero's father calls Lord Nuffield.

His clever son, historian of the 18th century, shares Wain's insatiable curiosity about everything from the mating habits of the sparrows on the college lawn, to the construction of the P3 MG racing-car and the sex theories of Wilhelm Reich.

HUNGRY GENERATIONS
by John Wain
Hutchinson £15.99, 378 pages

CATALYSTS
by Stanley Middleton
Hutchinson £15.99, 266 pages

Their main function seems to be to distract the reader from the hard core of pain that might otherwise make the book unbearable to read.

Pessimism about human possibility is the dominant mood. There is the long agony of Leonard's divorce and humiliating return to live like a single man in college; the pain of trying to reconcile the bitter after-taste of his first marriage with the domestic bliss of his second (a cloying note); the pain of the death of his son in a motor-racing accident and the series of disasters that befall other members of the senior common room.

The hero is Wain's alter ego, the Oxford don that Wain never became. Teaching and research was a way of life he firmly rejected when he resigned his lectureship at Reading in 1955 after the success of *Hurry On Down*. Wain could then have become a leading journalist critic in London. But he did not want to be that either. He was made a fellow of the Royal Society of Literature; after a year he resigned that too.

Instead he went to live near Oxford. It was a quiet, industrious and inevitably insecure existence, but it enabled him to do his own thing, which was to write novels and poetry.

With *Catalysts* Stanley Middleton shows that he belongs to that small number of novelists able to integrate convincing accounts of musical performance into the texture of a novel of contemporary life. They include Proust, E.M. Forster, Aldous Huxley and J.B. Priestley.

Here we are with the elderly music teacher at a school in the Midlands.

His son is a cellist of renown whose mistress is an opera star. There are several fine descriptions of them in action in a novel that shows with great subtlety the way professional life acts as a catalyst upon private life.

It does this just as much in the unglamorous professions of the other main characters – accountancy and English teaching.

This quintet weave in and out of each others' lives in a novel that is not so much written as delicately scored.

Middleton, joint Booker Prize-winner, is a master-technician of the form. His latest piece of work will give much pleasure to its connoisseurs.

Beautiful people

Artemis Cooper has published an excellent account of *Cairo In The War*, not to speak of editing the correspondence of Evelyn Waugh and Diana Cooper (her grandmother). Anthony Beevor is responsible, among other things, for a first-class history of the Battle of Crete. They are married. *Paris After The Liberation* is a good idea which does not quite come off. That deserves explanation.

The story – of Paris between the Liberation of August 1944 and the economic stabilisation in 1949 – is fascinating, and calls out for an accessible, layman's account on the 50th anniversary (this book does not pretend to be a work of academic scholarship, a field which is being intensively tilled at present).

The authors are privileged: they benefit from access to the diaries of the British ambassador Duff Cooper (grandpa), Nancy Mitford's unpublished letters, and various other archives of the English Establishment to which, I assume, they belong.

The value of this access is less clear because it tilts the narrative towards the beautiful people. It is amusing to have it confirmed that Diana and Duff called de Gaulle "Charlie Wormwood" (as in "wormwood and gall"). We get an insider's view of Louise de Vilmorin (Duff's lover), of Nathalie Barney ("l'impératrice des Lesbiennes"), of Gaston Palewski (Nancy Mitford's boyfriend), even of Cocteau, of Poulenc, of Christian Bérard.

The first hundred pages are in effect a brisk introduction, which is a dangerous tactic in book-making because it misleadingly suggests a superficial and over-hasty tone to what, from 1944, becomes detailed, analytical, better. With the arrival of Duff Cooper's diaries, the book looks up.

The first theme has to be the end of Occupation and the subsequent *épuration sauvage*. Again, this is a subject which has at last been heavily investigated, and we read of Paris only. Collaboration was a nightmare subject which brought much head-shaving and arbitrary execution in late 1944 and even more guilt for many years to come.

Arletty and Secha Guitry, Drieu la Rochelle, Céline, Colette, Chanel, Lifar, Giono, de Montherlant, even Simenon, Barrault and Clouzot, were among many artists who came under different degrees of suspicion.

PARIS AFTER THE LIBERATION: 1944-1949
by Anthony Beevor and Artemis Cooper
Hamish Hamilton £20, 531 pages

It was, and remained for years, a terrifying topic. Isaiah Berlin here offers a useful definition of acceptable conduct under the German Occupation: you could do business with them but "you did not have to be cosy with them".

One problem, of course, was that the French communists had suffered particularly under Vichy with the execution of hostages and deportation of slave labour. Now the communists could see a way to exploit their sufferings in their bid for post-war power.

This is the central political subject of these years, and the second theme of this book. "There are only two real forces in France today," said de Gaulle in December 1945. "If the communists win, France will be a Soviet Republic; if I win, France will stay independent." It was not to be as simple and the Beevors (if I may call them that) track the story in fair detail until it is clear by 1949 that the Fourth Republic has coma through.

The weakness of the style of this book is immediately confirmed: "The mood of optimism was further reinforced on 18 July (1949), when Odile de Lenoucourt married the Duc de Guiche, eldest son of Duc de Gramont, at the Church of Saint-Louis des Invalides. The right people were still marrying the right people." And the bride wore Dior.

So that was all right. In between many pages of political and diplomatic history we have been given the cultural and literary story.

We are assured of the "arrogant irresponsibility" of the French intellectuals, their *trahison des clercs*, the "dictatorship of the progressive intelligentsia", the eventual failure of radical ideas to overcome the French bourgeoisie – big themes – but the reader is not always convinced.

The problem, I suggest, is that the Beevors have bitten off more than they can chew.

They have written an interesting but awkward combination of a politico-diplomatic history of France in the immediate aftermath of war and the cultural story of those same years. But in the event, they have fallen between two stools.

J.D.F. Jones

ARTS

Witness to a cool Shavian triumph

***David Murray** on Saint Joan, George Bernard Shaw's powerful drama*

With *Saint Joan* George Barnard Shaw wrote a play that requires a charismatic heroine, but plugs her in only at certain points. It is not, strictly speaking, a star vehicle, and if played like one it usually founders: Shaw *had* other fish to fry.

At the Strand Theatre, the director Gale Edwards (Australian, female) has got the balance exactly *right*. It stirs mind and heart alike, and if you have intelligent teenage children you should take them along to be stirred as well. Few modern "classics" command our thoughtful sympathies like *Saint Joan*, and still fewer productions do them such faithful justice.

The play is not really about "Jeanne la Pucelle", but about the almost-accidental role she played in a larger, much tougher world of politics and religion, of which she understood nothing.

In fact *Saint Joan* represents a disillusioned, retrospective, 1920s view of History as *Realpolitik*. The heroine is there to fascinate us, but the heart of the drama – and it *is* drama, not just Shavian sparring – lies in the different ways she is perceived and used by the political masters, both the French (Burgundian) and the English.

All Joan has to do is to *be*, while the real action stretches out around and beyond her. In the small person of Imogen Stubbs, she is a marvel of bright-eyed energy, from her first bounding entrance. Distinctly elfin, in fact, with balletic touches, and much more *gamine* than *gamin*; one remembered Joan Plowright's homely, no-nonsense activist (a long way back!) with some nostalgia.

But Miss Stubbs wields a big, tremulous voice with the best of them, and regularly catches us between the ribs.

Perhaps she could measure a greater distance between eager optimism at the start, and weary desolation at the end.

Those Audrey Hepburn eyes do not change much, and there was an awkward moment when she collapsed to the floor in despair, too obviously confident of succour by strong arms – which she duly got. As a butterfly broken on a wheel, nevertheless, she is a radiant creature.

The production has stark sets by Peter J. Davison, basically vertical slabs that just once open out to give us a fine side-chapel view of the Dauphin's coronation in Reims Cathedral. (Reims, by the way, is sometimes Reims and sometimes "Reems", even in the mouths of different French personnel.) That is all to the good: picturesque ramparts are not what the play needs. What it chiefly needs is a solid team of politicos, both temporal and spiritual; and these Miss Edwards has supplied in full measure.

Faced with pages of Shavian debate,

> *'In the small person of Imogen Stubbs, she is a marvel of bright-eyed energy'*

many a director equips his or her actors with a rich variety of tics to sugar the pill. Not Miss Edwards; instead, she makes the debates supply the characters – the variously foxy or temporising Frenchmen, the blunt or choleric English.

We listen hard. I particularly admired Bruce Purchase's virtuosity with the Archbishop's speeches, which he rattles off quite lucidly at high speed, thus saving vital minutes. There is a good Dunois from Philip Quast, and a properly sullen Cauchon from Paul Webster.

Highest praise, though, for Peter Jeffrey's Inquisitor and Ken Bones' Earl of Warwick, both of them revelling in pawky subtleties. Jeffrey is a gentle model of temperate, deadly reasonableness; Bones – with a startling likeness to Norman Tebbit – plays Warwick with an air of cheerful ruthlessness, letting his weary, cynical intelligence peep through as the situation develops. There is just a trace of

Imogen Stubbs as the heroine in 'Saint Joan': 'It is a drama, not just Shavian sparring' Alastair Muir

pain, and distaste, when the execution has to be got through.

Jasper Britton's artful Dauphin supplies more than comic relief. There is a twitch or two too many, but his petulance is genuine and sour.

As young Brother Martin, appalled at seeing the trap close, Nicholas Rowe conveys strength as well as a tender heart. In the epilogue, Gordon Langford Rowe is splendidly unbuttoned as the plain English Soldier. Among others too numerous to mention, there is no weak link.

As Warwick's testy chaplain, de Stogumber, David Daker for once makes the real voice of Bernard Shaw heard. A plain, thick Englishman, he fulminates and blusters vengefully, but when the chips go down he is overcome with simple horror.

In his empirical English way, he needs to *see* what a burning at the stake means; but having seen it, his revulsion is absolute.

A real vegetarian's argument, that: amid all the thrust and counter-thrust which Shaw mimics with such relish, this is where the stopper comes, the final NO. Shaw was not a cynic.

Off The Wall

Trading places

West End audiences might be small and sluggish in the summer heat but there is a brisk trade in West End theatres. At last something is to be done with the derelict Lyceum, acquired by the Apollo Group, best known for its string of provincial theatres, while next week Stoll-Moss, the leading London theatre owner, finally gets rid of its rogue elephant, the Royalty, which it is selling to the London School of Economics for around £1m.

The Lyceum is obviously the trump card in the poker game being played out between the Royal Opera House, Covent Garden (due to close for refurbishment in 1997); ENO at the Coliseum, (due to close for refurbishment, probably in 1998); a National Dance House, which now looks like being based in a restored building rather than a new structure; the Arts Council; and the various other guardians of pots of Lottery money.

No deals have yet been concluded. The Royal Opera and the Royal Ballet might still temporarily decamp 100 yards down the road to the Theatre Royal, Drury Lane, if *Miss Saigon* ever closes and the Arts Council finds the money for the rent.

Both companies might spend the 2½-year interregnum touring. But if the Lyceum, with its splendid theatrical history, is restored, at a cost of £10m plus, with the potential to take leading opera and dance companies, it must play a role, if only as somewhere to transfer *Miss Saigon*, or its successor.

It all comes down to money, which these days means the Lottery. The Arts Council's Lottery Fund might look with favour on the Lyceum being gilded back to life because it could be the perfect eventual home for a National Dance House, with the dancers moving in, (perhaps with English National Ballet as resident company) after the opera singers and Covent Garden dancers have returned to their restored homes. Lord Gowrie, chairman of the Arts Council, is keen to see the project succeed and he carries weight.

By chance, the Royalty cannot be left out of these speculations. It must remain a provider of entertainment and the LSE, which will use it for lectures and conferences during the day, seeks a tenant for the evenings. There are two contenders for the post, and both want to present dance. Sadler's Wells is keen to take it on, as is the UK Foundation for Dance, a new company set up by ex-Sadler's Wells directors.

It sees the 1,000-seat theatre as the perfect venue for middle-scala danca companies, both British and foreign, and sees a wonderful synergy with a classically inclined National Dance House based in the nearby 2,000 seat Lyceum. With so much energy being applied it seems inevitable that London will get one, if not two, palaces for dance by the millennium.

□ □ □

David Beaird's *900 Oneonta*, which opened at the Old Vic this week, is the kind of play that makes Tennessee Williams look restrained. But however melodramatic the events on stage as a Southern family gathers to battle over granddaddy's will, they are nothing to the drama involved in mounting the production. If it is a hit *900 Oneonta* could transform West End theatre.

For this is the first play put on by the West End Producers Alliance, a group of 17 mainly young, or new, producers who want to make the West End financially accessible to everybody – from angels to audiences. Seats are cheap compared to average West End prices.

This attempt to make theatre-going affordable is only possible because the owner of the Old Vic, David Mirvish, has waived his rent for the first 15 weeks of the run at a personal cost of £50,000 and everyone else involved has accepted minimal rewards.

Producer Frank Gero is not mad enough to try and cut Equity fixed salaries but the American star, Jon Cryer, has accepted £400 a week instead of the thousands he might have anticipated from a London run, and David Beaird is receiving a £1 advance as against the usual £5,000 for the writer. Everyone, from director to stage crew, has gone along with the cost-cutting, which

> *It all comes down to money, which these days means the Lottery*

has enabled *900 Oneonta* to arrive at the Old Vic with up-front production expenses of £90,000, as against a more typical £160,000, and weekly running costs of just £17,000, two thirds of the usual bill.

If 60 per cent of the 1,067 seats are sold for each performance the up-front costs will have been recouped in 11 weeks and then everyone can expect a modest pay rise. And if *900 Oneonta* is a hit then those theatre owners who are dragging their feet at the idea might see this as the salvation of a West End theatre currently wilting in the heat. Whatever the outcome the West End Producers Alliance has its next play primed for September.

□ □ □

Unison, the 1993 merger of the three unions, Nalgo, Cohse, and Nupe, is using the arts to make itself better known. It is putting £15,000 behind the British première of Dario Fo's latest play *Abducting Dinno* which opens during the Edinburgh Festival at the Pleasance on August 13.

Nalgo had always been a minor backer of the arts but had to overcome opposition from the more philistine members of the new union. On the surface the play is a sexual comedy but it also shows that "anarchists are the unwitting tools of the capitalist society" so Unison members can safely attend.

In the cast is Susan Penhaligon who might see her own first play produced during the Edinburgh Festival. It could surprise her: she wrote it after being hypnotised by her psychiatrist husband.

Antony Thorncroft

Theatre/Antony Thorncroft

Plot-boiling 900 Oneonta

The plays of Tennessee Williams are like bowls of exotic tropical fruit captured on the turn from bloated ripeness to nascent rottenness.

David Beaird, in this impressive pastiche of the master of Deep South Gothic, glories in portraying the fruit in galloping decay. He is totally over the top, leaving audiences suspended in that strange hinterland between the heart-grip of melodrama and the hysteria of farce.

This is the day that Dandy, the oil-rich tycoon who rules his Louisiana brood like an oriental despot, knows he is to die.

He has done with hypocrisies and wants his family to finally face up to the home truths – the usual melange of incest, abortions, drugs and drink and low sperm counts. As the skeletons tumble out of the capacious closet so do the yawns of recognition.

But Beaird, who also directs, has an ace up his sleeve.

Dandy is to make a new will, leaving everything to ne'er do well grandson Tiger, who by whoring, shooting and boozing his way through town at least shows signs of having enough spunk in him to keep the dynasty going.

If Tiger does not come to his senses enough to accept the fortune, and responsibility for the business, within an hour then the money goes to the Church, represented by Father Bourette (Kieron Jecchenis) who has popped in to supervise the last rites.

This makes for an exciting second half, much stronger than the first in every way.

At tha opening Leland Crooke as Dandy conveys tha approach of hell-fira in a screeching, stressful, performance which wearied me as much as it wearied him.

After the interval, as the family's future falls on Tiger, so does the burden of carrying the whole play.

Ben Daniels, all blond mane and bare-chested glory, copes magnificently as he toys with wimpish brother Gitlo (Jon Cryer, a mess of nervous body wringing and manic self-justification); bombed-out sister Burning Jewel (Elli Garnett); and whore Palace (a tough, tart, performance from Sophie Okonendo).

Having got his plot boiling away like a bowl of jambalaya Beaird has problems coming to a conclusion.

There are any number of false curtains, and in the end he goes for the Big One, with Dandy's family assuming a metaphor for the United States, which has squandered its inheritance in dissipation, and should hand over to a new generation – a generation with its blood flowing fresh and uncorrupted from a cultural melting pot.

Some of the acting is hit and miss, perhaps because the format of the play favours caricatures – the alcoholic wife; the faithful black servant.

But when Beaird lets himself go in a rich, sensual, erotic, often witty, language, especially in the speeches of Tiger and Dandy, then the play transcends its hotchpotch origins and becomes a powerful, poetic force.

Tim Shortall has designed a convincingly realistic set, all slats, rich vegetation and whirring fan, with enough thunder and lightening to suggest that God is taking a close interest in his potential inheritance.

This is the first work of the West End Producers Alliance, which hopes to bring a new audience to the theatre by cutting seat prices.

It is an excellent introduction, an out-of-control roller-coaster, but with enough gripping images to show just how real the unreality of the stage can be.

Exotic glories: 900 Oneonta

The Old Vic.

A popular and a classic treat

***Alastair Macaulay** on Harper and Cook*

A tremendous week in London for lovers of singing. At the Proms on Tuesday, Heather Harper, the greatest British singer since Kathleen Ferrier, returned from retirement and after serious illness to sing Berg's "Altendorf Lieder" with the calm vehemence and commanding phrasing that have been her hallmarks.

And at Sadler's Wells Barbara Cook, the greatest singer in popular music today, also returning after illness, made a long-awaited return to Britain.

The differences between the two are obvious. Harper is collected, high-art, and her 20th-century specialties include Strauss, Britten, Tippett. Cook is bubbly, populist, and her repertory goes from Kern and Gershwin to Sondheim and Amanda McBroom. It is as absurd to imagine Cook in Tippett's "The Ice Break" as to imagine Harper recording "The Disney Album".

Now, however, I hear some resemblances between them.

These resemblances are not fortuitous, for they simply show that both Harper and Cook were trained along truest classical lines.

In both cases, it is less voice than musicality that makes them so remarkable: in both cases, the voice has been nourished by bringing together the pearly upper register with the biting chest notes into one equalised range.

In both one hears a vocal style that is based, on the one hand, on clean entry into notes and, on the other, sculptural portamento connections between notes. And, while both offer the clear and natural diction, they attend first and foremost to musical phrasing. There is no exaggerated emphasis on special words. The words seem simply – inevitably, it sounds to us – to find their inevitable place amid the shape designed for them by the music.

Like all great artists, Cook is made up of contrasts. She has vulnerability within power, grandeur within intimacy, brio within calm. She often reaches phrases of burning intensity, but presents herself with no-nonsense happiness. She comes from an old and conventional showbiz tradition, but she takes pains to emphasise the work of women composers (Amanda McBroom) and woman lyricists (Dorothy Fields). She is proud to deliver new or recent songs, but is equally proud of creating roles in such classic musicals as Bernstein's *Candide* and *She Loves Me*.

Cook is tha only popular singer active today who should be taken seriously by lovers of classical music. She is not a crossover artist – though she tells of singing Madam Butterfly's entrance music (with the high D flat option) as an audition piece for Leonard Bernstein – and yet most of today's opera singers could learn plenty from her. Every phrase is packed with interest, and every song is shaped from first to last. Has any singer since Callas matched Cook's sense of musical architecture? I doubt it.

It begins with the simple eloquence with which she phrases a line of recitative; you hear her plant lines such as "There goes my young intended. The thing is ended. Regrets are vain" with such simplicity, but with such underlying grasp of rhythm that they brand themselves into your mind.

Then, when it comes to the song itself, she shows the point of each note to the phrase and of each phrase to the whole. The endless variety with which she combines legato and staccato, or distinguishes between staccato and marcato, is exceptionally rare.

Anyone who knows her singing will know how thrillingly she can build even some innocent little songs to powerful climaxes, but I was amazed this time to hear her, amid a hauntingly plangent account of Irving Berlin's "Change Partners and Dance With Me", start rising towards one such climax – only to pause, and then to taper the song away into the tenderest diminuendo close.

As for "Losing my Mind", she places its numerous little four-note phrases into a structure so firm that she might be singing Fauré, not Sondheim.

This is a highbrow way to talk about someone whose repertory includes "Sweet Georgia Brown" and John Williams's "Can You Read My Mind?" Cook herself is very simple.

"They tell me I belong to the golden age of musical comedy," she remarked on opening night. "I wish they'd told me thet then – I'd have had more fun." And very sunny. She can take old chestnuts such as "You've Got to Accentuate the Positive" and make them live again, as if from some core of true faith.

Several of her songs – such as "Better with a Band" and "Sing a Song with Me" – are about singing itself; and others are about dancing. Cook is a stout woman, and yet she is easy with her own body.

She half-dances through some numbers, and there are moments when her jazz sense is such that she slaps all her weight, with the beat, on to one foot, and your kinesthetic sense half-expects her to burst into a tap routine.

But she sings a quiet song like "Why Did I Choose You?" from complete inner stillness, only raising her arms slowly as she reaches the conclusion, in a gesture so powerful that it embraces the theatre.

She sings "Why Did I Choose You?" – as she always sings her first encore – without any amplification. You realise all the more clearly then just how eteady her breathing, how expansive her phrasing.

Earlier on, there were times when the 16-piece band sometimes is too loud for her (though the way she can then cleave through an orchestral *tutti* with one of her own is always a major thrill). I think she has lost a little of her upper register, but am more struck than ever by the way that both chest and facial resonances are combined in her vocal tone.

Barbara Cook at Sadler's Wells: long-awaited return after illness

At Sadler's Wells until July 31.

In praise of a joyful return to the basics

***Antony Thorncroft** writes on a controversial artist with the exceptional talent of wit*

Helen Chadwick is exceptional. Her uniqueness does not come from "Piss Sculptures", the ice artefacts that she moulded by urinating in the Canadian snow, nor from "Cacao", a monumental fountain of heaving, shimmering, bubbling chocolate, a work as stridently sexual as it is coprophiliac as it is disturbing, which confronts the ears and noses of visitors to *Effluvia*, her new exhibition at the Serpentine Gallery. Helen Chadwick is exceptional because she is witty.

Most contemporary artists have a miserable vision. Their creations either dwell on the seamy underbelly of life or assume a detached, geometrical, aversion to reality.

Chadwick rejoices in the basics, using her bodily fluids to give a very personal application to her work and getting great pleasure from the commonplace. One of her compositions at the Serpentine consists of a brilliantly decorative balancing of green marmalade circling lustrous pink Windolene – it has been bought by the Prudential to hang in its staff canteen.

The "Piss Flowers", an army of 12 etched snow scenes, somehow become more exciting when you realise that Chadwick and her male partner strained hard in their creation from start to finish.

By happy chance these crepuscular forms also project a sexual image, for, as the catalogue to the show points out, the cavities formed by the urine, "strong and hot from the woman, diffuse and cooler from the man" create shapes that are inversions of human genitalia, penile from the woman, labial from the man. These are the incidental happenings that, to its supporters, suggest that God smiles on contemporary art.

Another serendipic pleasure from *Effluvia* is the catalogue, which wallows in ponderous, philosophical, gobbledegook to describe what are just wildly imaginative ideas, cleanly and prettily crafted, and immediately accessible.

If the results are unfashionably decorative, even uplifting in their primary brightness, Chadwick retains the knack of the avant-garde to shock: Cadbury was quite happy to supply the chocolate for the volcanic heavings of "Cacao" but shied away from a promotional credit. Chadwick is a serious artist but she does not take her creations too seriously. You can buy "Cacao", but she has not yet priced it. Make her an offer – she would settle for a smart BMW.

The Chadwick show will pack them in at the Serpentine, with attendances that will rival those in the spring of Damien Hirst, who brought in 50,000 ("half the annual attendance at the Courtauld", points out Julia Peyton-Jones, director of the Serpentine and passionate advocate of the new).

It should certainly secure Chadwick a nomination for the 1995 Turner Prize, an honour which strangely eluded Hirst when the 1994 short list was annouced this week.

One selector suggested that Hirst's work had failed to progress – seen one mutilated animal, seen them all. Perhaps a mere ability to shock is finally rumbled as a precarious base on which to build a career as an international artist.

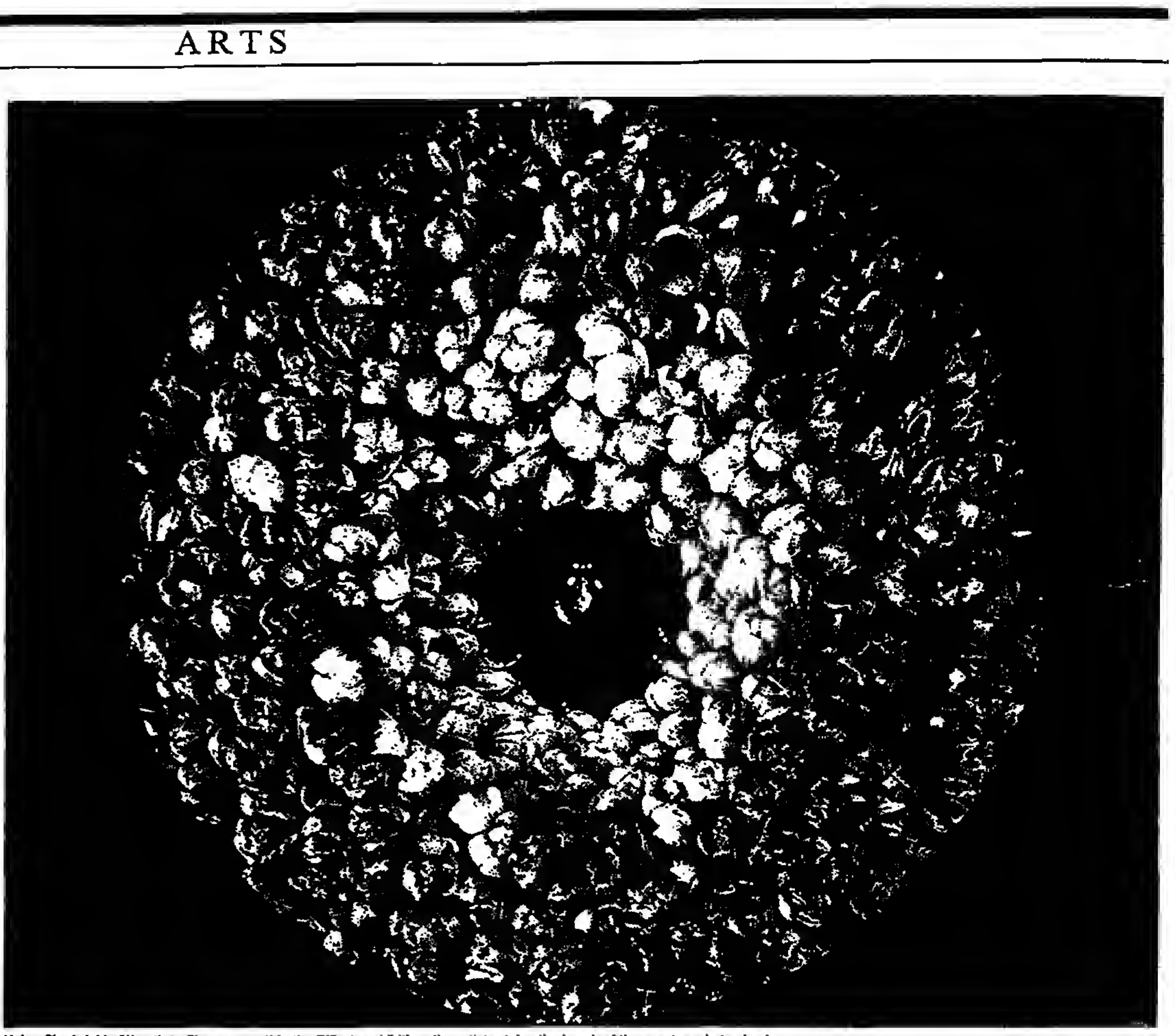
Whatever the reason the four 1994 finalists – sculptor Antony Gormley, painter Peter Doig (the first worker in paint to be nominated for five years), photographer Willie Doherty, and sculptor-installationist Shirazeh Houshiary – are unexceptional to the point of tedium.

It seems the jury wanted to promote artists who had not yet made the critical breakthrough, who needed a helping hand. But there is no glimmer of a 21st-century Master among this quartet.

•

There might just be at the Business Design Centre in Islington, where graduates from many of the nation's art schools are showing, and selling, their creations. This London showcase is an excellent idea, now firmly established.

There are still some London postgraduate schools that hold aloof, but more fool them. Anyone wanting to see where their taxes go, or who wants to buy the next Hockney for £50, should rush along. Of course these days the brightest art students are in love with the market. There is well-produced promotional literature, with high prices.



Helen Chadwick's 'Wreath to Pleasure no.1' in the Effluvia exhibition: the artist retains the knack of the avant-garde to shock

I enjoyed the show immensely. It takes hours to work the room. Virtually every object – and there are hundreds more objects than paintings – needs deciphering, apart from those thet are blatantly sexual or provocatively daring, like the circle of kneeling white figures in which heads are totally lost inside bottoms.

In many cases the visitor will miss the point – the large installation piece of vast metre-long knives, cauldrons, and a soundtrack of orgasmic heavy breathing suggested a human about to be turned into dinner, but who knows? Well, perhaps the artist, Lottie Radford, does.

Students still seem to be hooked on the ideas of Duchamp, now about a century old, and assorted objects are trailed all over the stands. Art in the traditional sense of drawing, even painting, seems to have been left far behind.

But at least the ideas – however banal, repetitive and doleful they may be – seem to be better crafted than in the past. Sam Crook's contemplation on hair, climaxing with a beautiful, suspended entombed plait; Karl Vickers papier-maché cow; and of course, the delights of confectionery, the new art medium. Helen Chadwick has a lot to answer for, but, really, the kids are all right.

Anyone seeking the middle ground between the banal and the elitist, who wants to discover where contemporary art for the private collector stands, should pop into Angela Flowers, Silver Place, Soho, gallery during the next week.

She has just completed an imaginative fortnight at which daily one established artist – Eileen Cooper, Glynn Williams – has chosen another artist whose work they admire and who they feel deserves a wider airing. Angela Flowers has no control – husbands choose wives, teachers their professors, but the results, comprising one piece by each selected artist and priced between £200 and £1,500, give an insider's view of art now.

Epic whimsy gives festival flair

***Karen Fricker** finds the offerings at Chicago's theatre festival a mix of the bizarre and boring*

Chicago seems a natural choice as host city to the only regularly scheduled festival devoted solely to international theatre in the US. Its bustling theatre community provides an ample assortment of stages, and its audiences are eager for new experience.

The eight-year-old International Theatre Festival of Chicago is still finding its legs. There was a sense of caution this year but the greatest risk – commissioning an outdoor theatrical extravaganza from the punky Dutch ensemble Dogtroep – produced the most festive results.

In its evocative venue, a tented amphitheatre on Navy Pier on Lake Michigan, Dogtroep created *Camel Gossip III*, a work of epic whimsy that is fresher and more entertaining than that of comparable new-age circuses – neither as twee as Cirque du Soleil nor as gratuitously violent as La Fura dels Baus nor as archly self-conscious as Archaos.

Not much plot here, just a series of images and vignettes: a lumpen, hard-hatted fellow unexpectedly disgorges a shapely woman from his coveralls, who proceeds to destroy his shanty house and build a tower from the wreckage. A dozen white-wigged harpies dangle over the stage in brightly painted cabinets, then troll the audience sporting bizarre head-dresses, which amplify their breathing. They then joyride through the audience on old-fashioned bicycles, a combination rock and oom-pah-pah band serenading in the background.

Most astoundingly, throughout the proceedings it rains on stage, a gushing downpour that makes the tempest in *An Inspector Calls* look like an April shower. How do they do it? That is just the point; *Camel Gossip III* is an exercise in wonder, an enormous and baffling jumpstart to the imagination.

Providing the festival's mainstream bookends were the Gate Theatre of Dublin's well-travelled production of *Juno and the Paycock* (which I left too early to see) and Alan Ayckbourn's latest farce, *Communicating Doors*, fresh from its Scarborough premiere.

In theory, it is an enlightened idea to include the work of England's contemporary comic master in its programme (the Royal Shakespeare Company, the Renaissance Theatre Company and the National Theatre have been featured in previous festivals), but a shame that *Communicating Doors* finds Ayckbourn so far off form.

A bedroom farce cum murder mystery cum *Back to the Future*-type time-travel tale, *Communicating Doors* links three women from different decades in a plan to save themselves from a sleazy man – husband to two of the women – who plans to kill them all.

The action takes place in a very posh hotel room whose inside door serves as a time portal.

Though the first act is at once silly and confusing, the play transforms into something richer and more satisfying in the second act, as the women's manipulations of time turn a growing bond between two of them into a blood knot. This uneven muddle is made worse by a sluggish production directed by the playwright himself.

The Attis Theatre Company, a young Greek group, insisted that their two productions not be translated into English so as not to detract from the viewing experience. This ended up, in the case of their production of Aeschylus' *The Persians*, to be self-defeating. Virtually actionless, the play consists of long descriptive speeches, as the Persians, waiting for news of a battle between their troops and the Greeks, learn that their nation has been brutally defeated, and mourn.

There is an interesting dialogue between classic and contemporary time periods at play in Theodoros Terzopolous' production. The translation, we are told in the programme, mixes ancient and modern Greek; the performers' black gowns make reference to ancient and current styles; and at one point the performers brandish photographs, perhaps of Gulf War victims but we never find out. Though the company's work reflects a great seriousness and physical rigour, without sufficient interpretation of what the words actually mean, the audience is slighted of a full theatrical experience.

Attis' second production, a contemporary play called *The Kanon* by Vassilis Vassikehayiglou, was reportedly more visual and active.

Audiences and critics alike were impressed with the young Mexican ensemble Taller del Sotano (Basement Workshop), which presented two works in Spanish with English translation. Robert Lepage's *Needles and Opium* was another favourite.

The festival stinted on American offerings – the only entry being two funny but theatrically slight one-woman shows by the Latina lesbian comedienne Marga Gomez – but local productions provided a more-than-ample unofficial fringe to make up for this.

Striking Chagall

***Richard Fairman** visits Schleswig-Holstein*

The moat striking image at this year's Schleswig-Holstein festival comes courtesy of Chagall. A mural displays a colourful world populated by strangely dislocated figures, including dancers performing physically impossible hand-stands, a one-legged conductor and a violinist without a head.

This is one of a group of wall paintings originally intended for the Jewish Theatre in Moscow, left behind when the artist emigrated in 1922 and only signed in the 1970s.

They have not heen seen before in the west and form part of a fascinating Chagall exhibition at the Schleswig-Holsteinisches Landesmuseum.

The festival was fortunate to have caught the exhibition on its way round Europe, aa it provides a visual counterpart to the year's musical theme.

Musicians and actors, poets and dancers, all the figures in the wall paintings are Jewish. Two or three years ago, when funding and sponsorship was easier to come hy, Schleswig-Holstein was able to draw up a wide-ranging programme for the 1994 festival. It was to look at Jewish music from a variety of standpoints, including works banned during the Third Reich, visiting Israeli musicians and music by contemporary Israeli composers.

The subject remains a sensitive one. The synagogue in Lübeck, one of the main towns on the festival's roving itinerary, was recently the target of an arson attack, and concert venues where Jewish musicians were performing found themselves guarded by police with alsatians.

The first concert last Sunday hrought together all the festival's Jewish sub-themes on one evening. It was given hy the Israel Symphony Orchestra Rishon Lezion, founded in 1988, of which half the musicians are Russian emigrés.

While many professionals arriving from Russia discover that their qualifications are not accepted in Israel, the main problem for musicians is to find an orchestra that can provide work, so founding a new one (if the money can be raised) is the path to follow.

The programme included one piece that qualified more or less as "banned" music, a short elegy entitled *Yizkor* for viola and string orchestra, composed by Odön Partos in 1947, reminiscent of Bartók in its harmonic colouring.

Another short item comprised the "new" piece, Ben-Zion Orgad's *A Vigil in Jerusalem* from 1978, which made up in nocturnal atmosphere what it lacked in musical substance.

In addition, we had Brigitte Fassbaender as the lead soloist in *Die sieben Todsünden* by Kurt Weill, who remains a central figure in the story of what happened to music in Germany in the 1930s and 1940s despite having emigrated to the US; and, to finish, Mendelssohn's Fifth Symphony, the "Reformation". As yet, the orchestra's playing lacks finesse and bloom, though the dry acoustic at the Schloss in Kiel did not help.

For the second concert they moved to the theatre at Itzehoe, two years old and a more flattering hall for musicians. Bartók's Suite from *The Miraculous Mandarin* certainly seemed more vital and Schubert's Ninth Symphony displayed some rich-toned string playing from time to time, although the orchestra is still some way behind its compatriots in the Israel Philharmonic, due to visit Schleswig-Holstein later in the festival.

Noam Sheriff, the Israel Symphony's chief conductor, is primarily a composer and Tuesday's programme included the premiere of his Piano Concerto. It was played by Ludmila Berman, a Russian emigré.

With both brevity (it lasts barely 15 minutes) and a cheerful tonal style to its name, this should not have alienated anybody who came for the Schubert after the interval.

Various influences hovered in the background, but the finale seemed to settle on Bach in its two-part invention piano writing and – momentarily – Beethoven, when the opening bars of his Violin Concerto unexpectedly broke in just before the end.

The Schleswig-Holstein festival runs until August 21; the Chagall exhibition at Schloss Gottorf, Schleswig, is on until September 11.

Chagall's 'Die Liebenden in Schwarz', from 1910 on show at the festival

Chess No 1031: 1 g4 (threat 2 e8N mate) Bxc8 2 Qd3, or Qxg6 2 Ne4, or c5 2 Qd5, or Ng7 2 Qg3.

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Felix the Cat. 7.45 Joe 90. 8.10 The Adventures of Skippy. 8.35 SWAT Kats. 9.00 Parallel 9. 10.52 Weather.

10.55 Grandstand. Introduced by Sue Barker. 11.00 Cricket: First Test. England v South Africa. Coverage of the third day's play from Lord's. 1.00 News. 1.05 Motor Racing: The latest rounds of the British Touring Car Championship. 1.35 Cricket. 1.55 Racing from Ascot: The 2.00 Kasikci Diamond Conditions Stakes. 2.05 Cricket. 2.30 Racing: The 2.35 Princess Margaret Stakes. 2.40 Cricket. 3.10 Racing: The 3.20 King George VI and Queen Elizabeth Diamond Stakes. 3.30 Cricket. 3.40 Motorcycling: Highlights of the British Sidecar Grand Prix from Donington Park. 4.00 Cricket. 4.55 News Round-Up. Times may vary.

5.10 News and Weather.

5.20 Regional News and Sport.

5.25 Stay Tooned!

5.50 A Word In Your Ear. New series. Kriss Akabusi, Dickie Davies, Carol Thatcher and Frances Edmonds take part in the verbal communication game.

6.20 Pets Win Prizes. Pets including a cockerel and a fish compete in bizarre events to win prizes for their owners. With Danny Baker.

7.00 Film: The Black Hole. Disney SF adventure about space explorers menaced by a mad scientist with an army of deadly robots. Starring Maximilian Schell (1979).

8.35 News and Sport; Weather.

8.55 One Foot in the Grave. Cantankerous pensioner Victor Meldrew returns from a chaotic foreign holiday, and beleaguered wife Margaret is led into temptation. Comedy, with Richard Wilson.

9.25 Police Rescue. New series. A teenager seriously injured after crashing a stolen plane sues Mickey for negligence. Return of the Australian drama, starring Gary Sweet.

10.10 Film: The Terminator. Violent SF thriller, starring Arnold Schwarzenegger as an indestructible android sent to the 20th century on a murderous mission. With Linda Hamilton (1984).

11.55 Film: Moving. Richard Pryor plays a transit engineer whose carefully laid plans go horribly wrong when he and his family try to move house. Zany comedy, with Beverly Todd (1988).

1.20 Weather.

1.25 Close.

BBC2

8.00 Open University.

12.15 Film: Island in the Sun. Romantic melodrama charting the effects of an inter-racial love affair on an island community in the West Indies. James Mason and Joan Collins star (1957).

2.10 Gunsmoke. A reformed outlaw once again resorts to crime after struggling for years to make an honest living as a farmer.

3.00 Film: Pride and Prejudice. Jane Austen's classic about the mother of a Victorian family intent on finding husbands for her five daughters. Laurence Olivier and Greer Garson star (1940).

4.55 Cricket: First Test. England v South Africa. Coverage through to the close of play from Lord's. Subsequent programmes may run late.

6.30 Open University Showcase. New series. Compilation of the series' best programmes which have influenced people worldwide.

7.00 News and Sport; Weather.

7.15 Bookmark Special: Aldous Huxley. Profile of the renowned author of the 1930s satirical novel Brave New World, who later became an idol of the 1960s Californian counter-culture as a result of his controversial advocacy of psychedelic drugs.

8.05 The Statue of Liberty. Acclaimed film-maker Ken Burns traces the history of the famous monument, from its construction in France to the 1883 unveiling ceremony in New York.

9.05 Seinfeld.

9.30 Screen Two: The Clothes in the Wardrobe. An exotic and rebellious woman resolves to save her strait-laced friend's daughter from a loveless marriage. Comedy drama, starring Jeanne Moreau and Julie Walters.

10.50 Cricket: First Test. England v South Africa. Richie Benaud introduces third-day highlights.

11.30 Woodstock Diary. Day two of the 1969 music festival.

12.30 Film: Repo Man. Alex Cox's cult SF drama, starring Emilio Estevez (1984).

2.10 Close.

LWT

6.00 GMTV. 9.25 Gimme 5. 11.30 The ITV Chart Show. 12.30 pm Starting from Scratch.

1.00 ITN News; Weather.

1.05 London Today; Weather.

1.10 International Athletics. Jim Rosenthal introduces highlights of last night's Bislett Games from Oslo.

1.40 Movies, Games and Videos. Review of The Flintstones, starring John Goodman and Elizabeth Perkins.

2.10 WCW Worldwide Wrestling.

2.55 Life Goes On.

3.50 Burke's Law. Amos investigates the death of a university professor whose body is found in the boot of a car.

4.45 ITN News; Weather.

5.00 London Today; Weather.

5.10 Time Trax. New series. Bounty hunter from the future Darien Lambert tries to find two jewel thieves. SF action, starring Dale Midkiff.

6.00 Scavengers. New series. Adventure game, with John Leslie leading four members of the public into a futuristic environment designed to test their mental and physical abilities to the limit.

7.00 Celebrity Squares. Contestants compete for cash and cars with the help of showbiz figures including Vicki Michelle, Frank Carson, Gorden Kaye and Frank Bruno. Bob Monkhouse hosts.

7.30 Film: Columbo Cries Wolf. Detective thriller. Peter Falk as the scruffy sleuth resolves to convict the owner of a men's magazine of his business partner's murder (TVM 1989).

9.10 ITN News; Weather.

9.20 London Weather.

9.25 Film: Alien. A cargo spacecraft inadvertently picks up a malevolent life-form which proceeds to slaughter the crew members. Classic SF chiller, starring Sigourney Weaver (1979).

11.35 Film: CAT Squad: Python Wolf. Action sequel in which the counter-terrorist team takes on a modern-day pirate planning to illegally export plutonium to South Africa. Steve James stars (TVM 1988).

1.20 Tour of Duty.; ITN News Headlines.

2.15 Get Stuffed.

2.20 Raw '94.; ITN News Headlines.

3.20 Get Stuffed.

3.25 The Big E.

4.20 BPM.

5.00 Hot Wheels.

CHANNEL4

5.00 4-Tel on View. 6.35 Early Morning. 10.00 Trans World Sport. 11.00 Gaelic Games. 12.00 The Big 6. 12.30 pm A Girl's Fate/Ladkiyan (English subtitles).

12.55 Film: Libel. A former PoW baronet is accused of being an impostor, and finds it harder proving his identity than he thought. Courtroom drama, starring Dirk Bogarde (1959).

2.45 Film: The Spanish Gardener. Drama about a diplomat who grows jealous of his son's friendship with their gardener. Dirk Bogarde, Michael Hordern and Jon Whiteley star (1956).

4.30 Evolution.

4.35 Uncle Elephant.

5.05 Brookside.; News Summary.

6.30 Opening Shot. Behind-the-scenes at Smash Hits, Britain's most successful teenage magazine. The programme focuses on a young journalist following an issue as it is taken from the planning stages to final production and distribution. Plus, interviews with and music by East 17 and Worlds Apart.

7.00 Branson: Across a Fiery Sky. Richard Branson and Per Lindstrand's attempt to fly 6,000 miles across the Pacific Ocean in the world's largest hot-air balloon.

8.05 Tour De France. Stage 18: Morzine to Lac Saint-Point. The penultimate stage is an undulating six-hour road race.

9.35 Film: Dial M for Murder. An ageing tennis champion plots to murder his wife for her inheritance, but his plans go disastrously wrong. Hitchcock thriller, starring Ray Milland (1954).

10.30 The Best Intentions. New series. Trilogy of semi-autobiographical films written by acclaimed Swedish cinema and theatre director Ingmar Bergman, beginning with this four-part account of his parents' courtship and marriage. Starring Samuel Froler.

12.05 Late Licence.

12.15 Herman's Head.

12.50 Just for Laughs.

1.20 625 Live: Suede.

1.50 Passengers.

2.50 Beavis and Butt-Head.

3.20 Packet of Three.

4.00 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 12.30 Movies, Games and Videos. 1.05 Anglia News. 1.40 Nigel Mansell's IndyCar '94. 2.10 Time Flyer. (TVM 1985) 3.50 Knight Rider. 6.00 Anglia News and Sport 9.20 Anglia Weather. 11.35 Family Plot. (1976)

BORDER: 12.30 Movies, Games and Videos. 1.00 Border News. 1.40 Nigel Mansell's IndyCar '94. 2.15 Gemini Man. (TVM 1976) 4.00 Superstars of Wrestling. 5.00 Border News and Weather 11.35 Family Plot. (1976)

CENTRAL: 12.30 America's Top 10. 1.00 Central News 2.10 Rocksport. 2.30 The Mountain Bike Show. 3.00 WCW Worldwide Wrestling. 3.50 The Fall Guy. 5.00 Central News 5.05 Foghorn Leghorn. 11.35 Hitchhiker (TVM 1974)

GRAMPIAN: 12.30 Cruinne Ce. 1.05 Grampian Headlines 1.10 Telefios. 1.40 Cuirm Cloinne. 2.10 International Athletics. 2.40 Beyond 2000. 3.30 Nigel Mansell's IndyCar '94. 4.00 Superstars of Wrestling. 5.00 Grampian Headlines 5.05 Grampian News Review. 9.20 Grampian Weather. 9.25 Silhouette. (1990) 11.05 Model Search. 11.35 Family Plot. (1976)

GRANADA: 12.30 Movies, Games and Videos. 1.00 Granada News 1.40 Nigel Mansell's IndyCar '94. 2.10 Gemini Man. (TVM 1976) 4.00 Superstars of Wrestling. 4.55 Granada News 6.00 Bugs Bunny. 11.35 Family Plot. (1976)

HTV: 12.30 Movies, Games and Videos. 1.00 HTV News. 1.40 Nigel Mansell's IndyCar '94. 2.10 Bear Island. (1979) 4.15 The Mountain Bike Show. 5.00 HTV News. 5.00 Cartoon Time. 9.20 HTV Weather. 11.35 Family Plot. (1976)

MERIDIAN: 12.30 The Littlest Hobo. 1.00 Meridian News. 1.40 Nigel Mansell's IndyCar '94. 2.10 Carry On Constable. (1959) 3.50 MacGyver. 5.00 Meridian News. 11.35 Crime Story.

SCOTTISH: 12.30 The Champions. 1.05 Scotland Today. 1.10 Telefios. 1.40 An Innis Aigh (The Happy Isle). 2.15 International Athletics. 2.40 Cartoon Time. 2.50 The Truth About Spring. (1964) 5.00 Scotland Today 5.05 Cartoon Time. 9.20 Scottish Weather. 9.25 Silhouette. (TVM 1990) 11.05 Local Heroes. 11.35 One to One.

TYNE TEES: 12.30 Burst! 1.05 Tyne Tees News. 1.40 Zorro. 2.10 The Cheap Detective. (1978) 3.50 Knight Rider. 4.55 Tyne Tees Saturday 11.35 Final (TVM 1977)

ULSTER: 12.30 SUS. 1.05 UTV Live News 2.10 The Mountain Bike Show. 2.40 The Munsters Today. 3.05 Knight Rider. 4.00 WCW Worldwide Wrestling. 5.00 UTV Live News 5.00 Cartoon Time. 9.20 UTV Live News 11.35 Family Plot. (1976)

WESTCOUNTRY: 12.30 Movies, Games and Videos. 1.05 Westcountry News. 1.40 Nigel Mansell's IndyCar '94. 2.40 The A-Team. 3.35 Cartoon Time. 3.50 Baywatch. 5.00 Westcountry News 9.20 Local Weather. 11.35 Family Plot. (1976)

YORKSHIRE: 12.30 Movies, Games and Videos. 1.05 Calendar News. 1.40 Zorro. 2.10 The Cheap Detective. (1978) 3.50 Knight Rider. 4.55 Calendar News. 11.35 Final (TVM 1977)

SUNDAY

BBC1

7.30 Dilly the Dinosaur. 7.35 King Greenfingers. 7.45 Playdays. 8.00 Telling Tales. 8.15 Breakfast with Frost. 8.15 Faith to Faith. 9.30 This is the Day In the World of Politics. 10.00 See Hear! 10.30 Harry and the Hendersons.

10.55 Cricket: First Test. England v South Africa. Coverage of the morning session from Lord's.

12.30 CountryFile. Environmental and agricultural issues.

12.55 Weather for the Week Ahead; News.

1.00 Steven Spielberg's Amazing Stories. A 17-year-old student is distraught when he learns of his parents' intentions to return to their home planet. Starring Stephen Geoffreys.

1.30 EastEnders.

2.50 Film: Chariots of Fire. Oscar-winning drama based on the true story of two contrasting runners going for gold at the 1924 Paris Olympics. Ben Cross and Ian Charleson star (1981).

4.50 Biteback. Viewers' concerns and complaints. Presented by Sue Lawley.

5.30 Jim'll Fix It.

6.05 News.

6.25 Sweet Inspiration. Dame Cicely Saunders chats to Alan Titchmarsh about her work for the London hospice she founded for the terminally ill. Last in series.

7.00 Small Talk.

7.30 2point4 Children.

8.00 Good Fortune! Sir David Frost springs surprises on people around the country.

8.50 News and Weather.

9.05 Gallowglass. Michael Sheen stars as a mentally ill young man, saved from certain death by an enigmatic stranger. Two-part Ruth Rendell thriller, also starring Paul Rhys.

10.20 Good Fortune! Sir David Frost presents updates from the earlier programme.

10.30 Mastermind.

11.00 Heart of the Matter. Joan Bakewell talks to people from all walks of life who are prepared to break the law where they feel democracy has failed them.

11.35 Cricket: First Test. England v South Africa. Highlights of the day's play.

12.15 Film: Thompson's Last Run. Robert Mitchum stars in this drama about an ageing convict on the run, with Wilford Brimley as the friend-turned-detective on his trail (TVM 1986).

1.45 Weather.

1.50 Close.

BBC2

6.15 Open University. 8.10 Littl' Bits. 8.35 Spacevets. 9.50 Floyd's American Tails. 10.15 The Really Wild Guide to Britain. 10.45 Grange Hill. 11.05 Dynamite. 11.20 White Fang. 11.45 The O Zone. 12.00 Around Westminster.

12.30 Sunday Grandstand. Introduced by Sue Barker. 12.35 Cricket: First Test. England v South Africa from Lord's. 1.00 Motorcycling: Highlights of the British Grand Prix from Donington Park. 2.10 Cricket. 3.40 Motorcycling. 4.00 Cricket. 6.00 Athletics: The Goodwill Games in St Petersburg. Times may vary. Subsequent programmes may run late.

6.30 Rough Guide to the Americas. Magenta de Vine and Rajan Datar tour Chile, sightseeing in the capital, Santiago, where training for the 1998 World Cup is already under way, and visiting Punta Arenas to discover why trips to Antarctic glaciers are all the rage. They also travel to Temuco to investigate the struggle for survival being fought by the Mapuche Indians.

7.20 The Mary Whitehouse Story. Profile of moral crusader Mary Whitehouse, following her efforts to stem what she saw as the rising tide of filth, sex and violence in broadcasting.

8.00 Under the Sun. Award-winning cameraman and director John Bulmer investigates the controversial means of population control enforced in China, where couples in rural areas are only allowed by law to have two children. He focuses on the case of Bai and Erping who, having just had a third child, have had their TV set confiscated as punishment and were told she had to have compulsory sterilisation.

8.50 Monty Python's Flying Circus.

9.20 Motorcycling: British Grand Prix. Highlights of today's 500cc, 250cc and 125cc races from Donington Park in Leicestershire.

10.00 Moviedrome. Introduction to the first film.

10.05 Film: Girl on a Motorcycle. Marianne Faithfull stars in this cult road movie about a bored wife who dons her leathers and takes off on her motorcycle to visit an old lover (1968).

11.35 Woodstock Diary. Day three of the 1969 music festival.

12.35 Moviedrome. Introduction to tonight's second film.

12.40 Film: Psychomania. Bizarre thriller, starring Beryl Reid, George Sanders, Nicky Henson and Robert Hardy.(1971).

2.20 Close.

LWT

6.00 GMTV. 9.25 The Littlest Hobo. 10.15 Link. 10.30 Sunday. 11.00 Morning Worship. 12.00 Sunday. 12.30 pm An Invitation to Remember. 12.55 London Today; Weather.

1.00 ITN News; Weather.

1.10 Walden. Brian Walden interviews the new Labour leader.

2.00 Highway to Heaven. Jonathan uses physical force to save Mark and an innocent family from drug smugglers determined to destroy lives.

3.00 Cartoon Time.

3.15 Film: The Hellhounds of Alaska. Action adventure following the exploits of an Alaskan fur trapper who helps to retrieve a gold shipment stolen by a ruthless gang. Doug McClure stars (1973).

5.00 City Safari. A fascinating study of how wild birds flourish in London.

5.30 The London Programme. Dozens of mothers have been accused of smothering their babies on the basis of controversial research into cot deaths. Trevor Phillips asks if many of these families could be victims of a terrible mistake.

6.00 London Tonight; Weather.

6.20 ITN News; Weather.

6.30 Dr Quinn: Medicine Woman. Brian suffers a brain injury while in Sully's care, and Dr Mike is forced to perform delicate surgery to save his life. Jane Seymour and Joe Lando star.

7.30 Watching.

8.00 Wycliffe. The mysterious shooting of an archaeological student leads Det Supt Charles Wycliffe on a manhunt across Cornwall. Police drama, starring Jack Shepherd.

9.00 Film: Mermaids. Premiere. Touching comedy about the romantic relationships of unconventional single mum Cher and confused daughter Winona Ryder. With Bob Hoskins and Christina Ricci (1990).

11.00 ITN News; Weather.

11.10 London Weather.

11.15 Inside Track On: Crime. New series. Sue Lawley examines the personal experiences of people who have suffered at the hands of criminals. Plus, advice on crime prevention, and celebrity confessions from Carol Barnes, Mandy Smith, Mr Motivator and Sean Blowers.

12.45 The Big Fight.

1.45 The Restaurant Show.

2.15 Married - With Children.; ITN News Headlines.

2.45 Cue the Music.

3.45 Film: Who is Julia? A woman struggles to cope with her dual identity after undergoing a brain transplant operation. Mare Winningham and Jameson Parker star (TVM 1986).

CHANNEL4

6.15 Early Morning. 6.45 The Odyssey. 10.15 Saved by the Bell. 10.45 Rawhide. 11.45 Little House on the Prairie.

12.40 Film: Buchanan Rides Alone. Drifter Randolph Scott arrives in a small frontier town run by an outlaw band and helps a young Mexican seek vengeance for his sister's mistreatment at the hands of the town bully - leading to the duo's arrest for murder and the dead man's angry family baying for their blood. Western, also starring Craig Stevens, Manuel Rojas and Barry Kelley.(1958).

2.15 The Making of a Modern Mystic. Novelist and poet Andrew Harvey talks about his search for spiritual enlightenment and the icons he has met along the way.

3.15 Film: Pride of the Marines. Powerful true-life drama about a former US Marine who fights to overcome his problems after being blinded by a grenade blast during a second world war battle. John Garfield and Eleanor Parker star (1945).

5.25 News Summary.

5.30 4 Goes to Glyndebourne: Eugene Onegin. Tchaikovsky's tragic opera based on a poem by Pushkin, a tale of frustrated love, betrayal and revenge. With Wojciech Drabowicz, Martin Thompson, Louise Winter and Elena Prokina in the lead roles. With the London Philharmonic, conducted by Andrew Davis.

8.45 Tour De France. Stage 19: Euro-Disney to Paris. The final stage, traditionally seen as a victory ride for the race leader.

9.15 Film: Bad Company. Jeff Bridges and Barry Brown play youths on the run who team up and become outlaws to avoid conscription during the American civil war. Along with a posse of gullible youngsters in their charge, they eventually find the strain of life outside the law too much to bear. Offbeat Wild West adventure, written by the team responsible for Bonnie and Clyde, and also starring Jim Davis, John Savage and Jerry Houser.(1972).

10.55 The AFI Salutes Elizabeth Taylor. Film following the glittering ceremony when more than a thousand of Elizabeth Taylor's showbiz friends packed into the Beverly Hills Hilton to witness the former MGM child star receive the American Film Institute's lifetime achievement award.

11.55 Film: Angel Dust. Thriller, starring Bernard Giraudeau (1987).

1.35 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 9.25 The New Scooby Doo Movies. 10.00 Road Runner. 12.30 Countrywide. 12.55 Anglia News. 2.00 Father Dowling Investigates. 2.55 Toral Toral Toral (1970) 5.30 Survival. 6.00 Anglia News on Sunday 11.10 Anglia Weather.

BORDER: 9.25 The New Scooby Doo Movies. 10.00 Road Runner. 12.30 Gardener's Diary. 12.55 Border News. 2.00 Parent Trap IV; Hawaiian Honeymoon. 3.00 Sheena: Queen of the Jungle. (1984) 5.05 Cartoon Time. 5.20 Coronation Street. 6.15 Border News.

CENTRAL: 9.25 The New Scooby Doo Movies. 10.05 Road Runner. 12.30 Central Newsweek. 12.55 Central News 2.00 Take 15. 2.15 Gardening Time. 2.45 Tender is the Night. (1961) 5.20 Murder, She Wrote. 6.15 Central News 11.10 Local Weather.

GRAMPIAN: 9.25 The New Scooby Doo Movies. 10.00 Road Runner. 12.30 Gardener's Diary. 12.55 Grampian Headlines 2.00 Funny Girl. (1968) 4.40 Cartoon. 4.50 Movies, Games and Videos. 5.20 The A-Team. 6.15 Grampian Headlines 11.15 Grampian Weather.

GRANADA: 9.25 The New Scooby Doo Movies. 10.00 Road Runner. 12.25 Chatts Chatta. 12.55 Granada News 2.00 Parent Trap IV: Hawaiian Honeymoon. 3.00 Sheena: Queen of the Jungle. (1984) 5.05 Cartoon Time. 5.20 Dr Quinn: Medicine Woman. 6.15 Granada News 6.30 Coronation Street.

HTV: 9.25 The New Scooby Doo Movies. 10.05 Road Runner. 12.25 The Littlest Hobo. 12.55 HTV News. 3.00 The Swiss Family Robinson. (1960) 5.15 On Your Street. 5.45 Great Westerners. 6.15 HTV News. 11.10 HTV Weather.

MERIDIAN: 9.25 The New Scooby Doo Movies. 10.00 Road Runner. 12.30 COPS. 12.50 Meridian News. 2.00 The Mountain Bike Show. 2.30 Life Goes On. 3.25 The Invisible Man. (1975) 4.50 Highway to Heaven. 5.45 Survival. 6.15 Meridian News. 9.00 Mermaids. (1990)

SCOTTISH: 9.25 The New Scooby Doo Movies. 10.05 Road Runner. 12.30 Skoosh. 12.55 Scotland Today. 2.00 Delta. (1984) 3.20 West Side Story. (1961) 6.15 Scotland Today 11.10 Scottish Weather.

TYNE TEES: 9.25 The New Scooby Doo Movies. 10.00 Road Runner. 12.25 Newsweek. 12.55 Tyne Tees News. 3.05 Funny Girl. (1968) 5.50 Tyne Tees Weekend.

ULSTER: 9.25 The New Scooby Doo Movies. 10.05 Road Runner. 12.30 Gardening Time. 12.55 UTV Live News 2.00 Police Six. 2.10 The Scarlet Pimpernel. (TVM 1982) 4.45 Murder, She Wrote. 5.40 Glenroe. 6.10 Witness. 6.15 UTV Live Early Evening News 11.10 UTV Live News

WESTCOUNTRY: 9.25 The New Scooby Doo Movies. 10.00 Road Runner. 12.30 Westcountry Update. 12.55 Westcountry News. 2.15 Dogs with Dunbar. 2.45 Brief Encounters. 6.15 The Horse Without a Head. (1963) 4.50 Murder, She Wrote. 5.45 Survival. 6.15 Westcountry News 11.10 Local Weather.

YORKSHIRE: 9.25 The New Scooby Doo Movies. 10.00 Road Runner. 12.25 The Littlest Hobo. 12.50 Calendar News. 6.00 Funny Girl. (1968) 5.50 Calendar News and Weather

RADIO

SATURDAY

BBC RADIO 2

6.00 Sujata Barot. 8.00 Brian Matthew. 10.00 Judi Spiers. 12.00 Hayes on Saturday. 1.30 You Can't Have One Without the Other. 2.00 The Golden Days of Radio. 3.00 Ronnie Hilton. 4.00 Goodnight Knobbly Knees. 5.00 Nick Barraclough. 6.00 Bob Holness Requests the Pleasure. 7.00 Cinema 2. 7.30 Serenade on the Sand. 8.30 David Jacobs. 10.00 The Arts Programme. 12.05 Ronnie Hilton. 1.00 Charles Nove. 4.00 Sujata Barot.

BBC RADIO 3

6.30 Open University: The Quest for Therapy. 6.55 Weather. 7.00 Saturday Morning Concert. 9.00 Prom News. With film-maker Ken Russell. 9.30 Record Release. Hook, Haydn, Dodgson, Onslow, Gordigiani, Bacewicz, Beethoven, Shostakovich. 12.00 Spirit of the Age. 1.00 Into the Garden. 1.10 Mirella Freni. 3.40 Schnittke. 5.00 Jazz Record Requests. With Geoffrey Smith. 5.45 Key Questions. With composers Colin Matthews and Paul Patterson. 6.30 Two-way Talking. Geoffrey Poole. 7.30 Proms 1994. Brenton Broadstock, Sibelius, Bartok, Ravel, Rimsky-Korsakov. 9.40 Studio 3: Dead Perfect. By John Fletcher. Starring Tom Wilkinson. 10.25 Sonny Rollins. Jazz concerts featuring the tenor saxophonist. 12.30 Close.

BBC RADIO 4

6.00 News.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.00 Sport on 4.
9.30 Breakaway.
10.00 Pack the Book.
10.30 The Lipman Test.
11.00 (FM) Talking Politics.
11.00 (LW) Test Match Special.
11.30 (FM) Europhile.
12.00 (FM) Money Box.
12.25 (FM) A Look Back at the Future.
1.00 (FM) News.
1.10 (FM) Any Questions?
2.00 (FM) Any Answers? 071-580 4444.
2.30 (FM) Playhouse: The Amazing Test Match Crime. By Adrian Alington.
4.00 (FM) History on the Hoof.
4.30 (FM) Science Now.
5.00 (FM) File on 4.
5.40 (FM) Six of Clubs.
6.00 (FM) News and Sports.
6.25 (FM) The Mark Steel Solution.
6.50 (FM) Ad Lib in Australia.
7.20 Kaleidoscope Feature.
7.50 Saturday Night Theatre: The Judas Kiss. By Shirley Cocklin.
9.20 Music In Mind.
9.50 Ten to Ten.
10.00 News.
10.15 Word of Mouth.
10.45 They Don't Still Make That, Do They?
11.00 A Night at the Opera.
11.30 Brave New World. By Aldous Huxley.
12.00 News.
12.33 Shipping Forecast.
12.43 (FM) Close.
12.43 (LW) As World Service.

BBC RADIO 5 LIVE

6.00 Dirty Tackle.
6.30 The Breakfast Programme.
9.00 Weekend with Kershaw and Whittaker.
11.05 Special Assignment.
11.35 The Ad Break.
12.00 Midday Edition.
12.15 Sportscall.
1.04 Sport on Five.
6.00 Ian Botham's Six-o-Six.
7.35 Saturday Edition.
9.35 Asian Perspective.
9.35 Out This Week.
10.05 The Treatment.
11.00 Night Extra.
12.05 After Hours.
2.00 Up All Night.

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m) at these times BST:

6.00 Morgenmagazin. 6.30 Europe Today. 7.00 World and British News. 7.15 The World Today. 7.30 Meridian. 8.00 World News. 8.15 Waveguide. 8.25 Book Choice. 8.30 People and Politics. 9.00 World News. 9.09 Words of Faith. 9.15 A Jolly Good Show. 10.00 World News and Business Report. 10.15 Worldbrief. 10.30 Development 94. 10.45 Sports Roundup. 11.00 Printer's Devil. 11.15 Letter from America. 11.30 BBC English. 11.45 Mittagsmagazin. 12.00 Newsdesk. 12.30 Meridian. 1.00 World News. 1.09 Words of Faith. 1.15 Multitrack Alternative. 1.45 Sports Roundup. 2.00 Newshour. 3.00 News Summary; Sportsworld. 4.00 World News. 4.15 BBC English. 4.30 Heute Aktuell. 5.00 World and British News. 5.15 Sportsworld. 6.00 BBC English. 6.30 Heute Aktuell. 7.00 News and features in German. 8.00 Proms 94. 8.20 News Summary; Write On. 8.30 Short Story. 8.45 From the Weeklies. 9.00 World News. 9.09 Words of Faith. 9.15 Development 94. 9.30 Meridian. 10.00 Newshour. 11.00 World News. 11.05 Words of Faith. 11.10 Book Choice. 11.15 Jazz for the Asking. 11.45 Sports Roundup. 12.00 Newsdesk. 12.30 Best on Record. 1.00 World and British News. 1.15 Good Books. 1.30 The John Dunn Show. 2.05 News Summary; Play of the Week: Bliss. 3.00 Newsdesk. 3.30 Cyprus - A Life Apart. 4.00 Newsdesk. 4.30 BBC English. 4.45 News and Press Review in German.

SUNDAY

BBC RADIO 2

7.00 Don Maclean. 9.05 Bob Holness Requests the Pleasure. 10.30 Hayes on Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 End of the Pier. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 With a Smile and a Song. 12.05 Steve Madden. 3.00 Alex Lester.

BBC RADIO 3

6.30 Open University: Popular Culture. 6.55 Weather. 7.00 Sacred and Profane. 9.00 Brian Kay's Sunday Morning. 11.30 BBC Proms 1994. 12.40 Full Score. 1.10 Musical Tales: Scheherazade. 1.25 Messiaen. 1.40 BBC Proms 1994. 3.20 Haydn and Hindemith. 4.00 North German Radio Symphony Orchestra. 5.20 Twentieth Century Music Can Be Fun! Poulenc, Enescu, Britten, Williamson, Berio, Cage, Berberian. 6.35 Interpretations on Record. Recordings of Cesar Franck's Symphony in D minor. 7.35 Proms News. 8.00 BBC Proms 1994. Rimsky-Korsakov, Shostakovich, Prokofiev. 10.00 Sunday Play: Vlad the Impaler. By Marin Sorescu. Starring John Hurt. 11.35 Choir Works. Steve Reich. 12.30 Close.

BBC RADIO 4

6.00 News.
6.15 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.00 Suzie Hayman and Tricia Kreitman.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.00 The Archers.
11.00 (FM) Mediumwave.
11.00 (LW) Test Match Special.
11.45 (FM) Walters Beside the Seaside.
12.15 (FM) In the Psychiatrist's Chair.
1.00 (FM) The World This Weekend.
2.00 (FM) Gardeners' Question Time.
2.30 (FM) Classic Serial: The Expedition of Humphry Clinker.
3.30 (FM) Pick of the Week.
4.15 (FM) Power and Disorder.
5.00 (FM) From the Glitter to the Gulch.
5.30 (FM) Poetry Please!
6.00 Six O'Clock News.
6.15 (FM) Letter from Scotland.
6.30 (FM) The Secret Garden.
7.00 Barging across Europe.
7.30 The Airport.
8.00 (FM) History on the Hoof.
8.00 (LW) Open University.
8.30 (FM) Reading Aloud.
9.00 (FM) The Natural History Programme.
9.30 (FM) Costing the Earth.
10.00 News.
10.15 The Art of the Troubles.
10.45 Home Truths.
11.15 Risking Your Neck. Accidents.
11.45 Seeds of Faith.
12.00 News.
12.30 Shipping Forecast.
12.43 (LW) As BBC World Service.
12.43 (FM) Close.

BBC RADIO 5 LIVE

6.00 Hot Pursuits.
6.30 The Breakfast Programme.
9.00 Nicholas Witchell's Sunday.
12.00 Midday Edition.
12.15 The Big Byte.
1.04 Sunday Sport.
7.00 News Extra.
7.35 Black to the Future.
8.00 The Ultimate Preview.
10.05 Special Assignment.
11.00 Night Extra.
12.05 Nightcall.
2.00 Up All Night.

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m) at these times BST:

6.00 News and features in German. 6.30 Composer of the Month. 7.00 World and British News. 7.15 Letter from America. 7.30 Jazz For The Asking. 8.00 World News. 8.15 Music As It Was. 8.30 From Our Own Correspondent. 8.50 Write On. 9.00 World News. 9.00 Words of Faith. 9.15 The Greenfield Collection. 10.00 World News and Business Review. 10.15 Short Story. 10.30 Folk Routes. 10.45 Sports Roundup. 11.00 News Summary; Science in Action. 11.30 BBC English. 11.45 News and Press Review in German. 12.00 Newsdesk. 12.30 The John Dunn Show. 1.00 News Summary; Play of the Week: Bliss. 2.05 Newshour. 3.00 News Summary; The First Foot on the Moon. 3.30 Anything Goes. 4.00 World News. 4.15 BBC English. 4.30 News and features in German. 5.00 World and British News. 5.15 BBC English. 6.00 World News and Business Review. 6.15 Printer's Devil. 6.30 News and features in German. 8.00 Best on Record. 8.30 Europe Today. 9.00 World News. 9.09 Words of Faith. 9.15 A Question of Science. 9.30 Brain of Britain. 10.00 Newshour. 11.00 World News and Business Review. 11.15 Short Story. 11.30 Letter from America. 11.45 Sports Roundup. 12.00 Newsdesk. 12.30 The First Foot on the Moon. 1.00 World and British News. 1.15 Pop the Question. 1.30 In Praise of God. 2.00 News Summary; The Uncreated Light. 2.45 Music As It Was. 3.00 Newsdesk. 3.30 Composer of the Month. 4.00 Newsdesk. 4.30 BBC English. 4.45 Fruhmagazin.

CHESS

The small town of Sanghi Nagarc (pop 10,000), near Hyderabad, becomes the improbable centre of world chess next week when it hosts the Fide quarter-finals, part of the eliminators for Anatoly Karpov's title.

Sanghi Industries, a textile firm, is providing £110,000 to stage Gelfand v Kramnik, Anand v Kamsky, and Salov v Timman. Karpov has a bye to the semi-finals.

It is all down to Vishy Anand, India's best ever player. The script calls for him to defeat Kamsky, overcome Karpov in the semi-final or final, defeat Gary Kasparov in the rival PCA version of the world championship, and thus reunify chess.

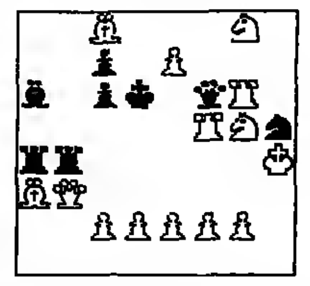
Anand is a brilliant talent, who often moves twice as fast as opponents while outplaying them, but his fans are asking a lot. If Kamsky wins, Fide's contest will suddenly be reduced to the ex-Soviet championship. Sanghi's further support will be in question, and the PCA can relax. This week's game is a previous encounter on Indian soil (V Anand, White; G Kamsky, Black; New Delhi 1990).

1 e4 c5 2 Nf3 e6 3 d4 cxd4 4 Nxd4 a6 5 Bd3 Nf6 6 0-0 Qc7 7 Qe2 d6 8 c4 g6 9 Rd1 Bg7 10 Nf3 Nc6 11 Bf4 0-0 12 Bc2 e5 13 Be3 Nb4 14 Nc3 Nxc2 15 Qxc2 Qxc4 16 Bxd6 b5 17 Bb6 Bb7 16 Nd2 Qc8? Qb4 19 Rd3 Rfc8 is at least equal.

19 Qd3 Nh5 20 g3 Qh3 21 Nd5 Kh8 22 Qf1 Qxf1+ 23 Nxf1 f5 24 Rd1 Nf6 25 Nxf6 Bxf6 26 exf5 gxf5 27 Rd7 Be4 28 Ne3 Rac8 29 b4 Bf3 30 Re1 f4 31 Nf1 Bg7? Black should play Rc2! 32 Rd2 Rfc8.

32 Nd2 Bg4 33 Ra7 Rc2 34 Ne4 Rxa2 35 Bc5 Rd8 36 Be7Re2 37 Rf1 Rc8 38 Bf6 Bxf6 39 Nxf6 Bf5 40 g4 Rf8 41 Rd1! A textbook rook-knight mating net. Bg6 42 Rdd7 Re1+ 43 Kg2 f3+ 44 Kh3 Resigns.

No 1031



White is in check, but he mates in two moves, against any black defence (by E. Gross).

Solution, Page XVIII

Leonard Barden

BRIDGE

My hand today comes from the Guardian Pairs of some years ago. I was playing with my great friend and favourite partner, Lewis Ellison, who was sitting South.

	N	
	♠ J 7 6	
	♥ A K J 9 2	
	♦ 7 5	
	♣ J 10 8	
W		E
♠ 5 4 3 2		♠ A Q 10 6
♥ 10 8 3		♥ 7 5 4
♦ 4 3		♦ K J 6 2
♣ K 9 7 2		♣ 6 5
	S	
	♠ K 9	
	♥ Q 6	
	♦ A Q 10 9 8	
	♣ A Q 4 3	

With both sides vulnerable, East dealt and passed. South opened the bidding with one no-trump, promising 16-16 points. I replied with three hearts, and my partner's re-bid of three no trumps closed the auction.

West opened with the two of clubs – not a great choice – which was taken by dummy's 10. Lewis returned a diamond and finessed his 10, which held. He now led a low club, taken by the king. West switched to the three of hearts (it really was not his day) and the queen won. The declarer saw the chance of making 12 tricks – but there was a snag. East might have started life with four diamonds but he might also hold the ace of spades; then, there would be a certain squeeze against him.

South cashed ace and queen of clubs, followed with ace, king and knave of hearts. At this point, East held spade ace, and king, knave and six of diamonds, while South held spade king, and ace, queen and nine of diamonds.

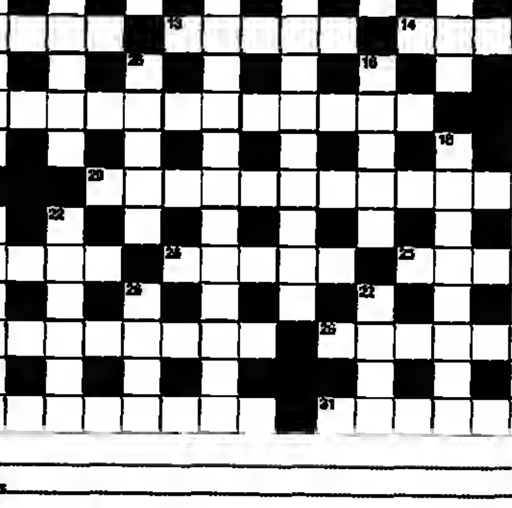
When dummy's last heart was played, East was subjected to pressure which he could not withstand. He threw his spade ace, so South threw his nine of diamonds, finessed his queen and claimed 12 tricks. South's foresight and fine technique gained us a clear top on the board.

E.P.C. Cotter

CROSSWORD

No. 8,513 Set by DINMUTZ

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday August 3, marked Crossword 8,513 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday August 6.



Name__________

Address__________

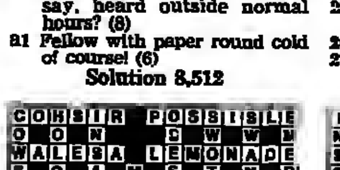
ACROSS

1 Fioch is caught in hide . . . . (6)
4 . . . . bird given bad shock after dark (8)
9 Nothing exists but Mediterranean oil-producers! (6)
10 Handle every part so as to make a profit (6)
12 Great book as I see it (4)
13 Unknown number attending show can be dangerous (5)
14 Wheel-betting socially acceptable? (4)
17 Is French province intended, say, to be split? (12)
20 Immense cost, manorial management? (12)
23 Other people's money no longer genuine (4)
24 Gold sovereign? (5)
25 Abandoned side (4)
28 Dance of horse in desert? (8)
29 Girl out of breath (6)
30 Counter-statement, could you say, heard outside normal hours? (8)
31 Fellow with paper round cold of course (6)

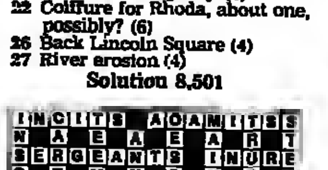
DOWN

1 One in Oxford will hold the form (8)
2 Fellow hearty? (8)
3 American composer using up only half of records? (4)
5 Active number? (12)
6 Knife-handle hard towards the back (4)
7 Old car trim embraced by Gatsby? (6)
8 Material of several kinds used by Saxony in variety? (6)
11 Warning given when landing-gear's out of order? (6,6)
15 University in action in the spring? (5)
16 The other side of Yemen possibly (5)
18 One is on the bottle when salary-ceiling is indicated (5-3)
19 Apartment people of Derby, for example (4,4)
21 Credit is doubly needed in such an emergency (6)
22 Coiffure for Rhoda, about one, possibly? (6)
26 Back Lincoln Square (4)
27 River erosion (4)

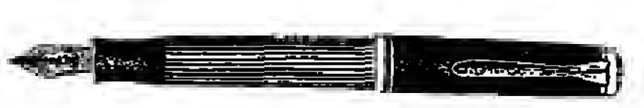
Solution 8,512



Solution 8,501



WINNERS 8,501: W.C. Long, Riddlesden, W. Yorkshire; P. Brown, Mississauga, Ontario, Canada; Julia Cadman, Hale Bank, Widnes; G. Dennis, Twickenham, Middlesex; Mrs J. Nicholson, Fort William, Inverness; C. Scott, St Julien de Crempse, France.



Private View/**Christian Tyler**

Heir to the sins of the fatherland

Manfred Rommel talks of war, Hitler, his father, and forgiveness

Tony Andrews

Last week he was in Paris with Chancellor Kohl to celebrate Bastille Day and watch Panzer tanks crawl down the Champs Elysées for the first time since the Nazi occupation of the French capital.

This week he was star speaker in London at the German embassy's 50th anniversary "commemoration" of the bomb plot against Hitler.

Manfred Rommel is much in demand these days. As mayor of Stuttgart he represents the prosperous liberal democracy of post-war Germany. As son of Field Marshal Erwin Rommel, the Desert Fox, he is a reminder thet even the Nazi dictatorship had its decent face. As peacemaker he has struck up a friendship with Devid, Viscount Montgomery, son of his father's conqueror at Alamein.

Manfred was 15 and at home with his father when two generals came from Hitler in October, 1944, to offer the field marshal the opportunity of committing suicide by poison.

The Desert Fox accepted but not because he was part of the bomb plot. Although he knew some of the conspirators, said his son, he never believed they would – or could – act. He took the poison because from the end of 1943 he had been telling Hitler the war was lost, and Hitler discovered Rommel was prepared to surrender to the Allies if they were victorious in France.

I asked his son if he felt absolved by his father's sacrifice.

"No, I don't want to say that because my father died by order of Hitler he's a good German and the others who did not die by order were bad Germans. That would be wrong. The people in general were not responsible. A simple German, what should he do? Or even a colonel or divisional commander? He was almost helpless."

He could resign his command, I said.

"Of course. On the other hand he had responsibility for his troops, for others."

What about your father?

"He lived at a time when it was very difficult for a German to remain bonest. Today, it's really difficult not to be honest."

Do you feel you should apologise for him?

"Yes, of course, I try to explain. I have to admit that in Germany we had anti-semitism and that Jews were expropriated, ill-treated, discriminated against. No doubt about that. If it was not accepted it was tolerated.

"And the Army said 'It's not our problem. It's up to the politicians.' And that was wrong of course. Of course I cannot deny that my father was fighting for Hitler and was also made field marshal by Hitler, not by Emperor William II. He also had e special political responsibility."

Are you ashamed of his attitude, or proud of him as e soldier?

"I'm proud of him as a person. Because I don't know what I would have done in his place. I would be ashamed of my father if I were absolutely certain that I in his place would have followed a better way.

"I see him in his time. He tried in Africa to be fair – as far as war can be fair. He never pursued any Jewish people in Africa and did not carry out orders from Hitler." He ignored, for example, an order to kill prisoners of the British Eighth Army who had been German citizens.

What about yourself? Do you feel at all ashamed that you were in the Hitler Youtb and aspired to the SS?

"No, I don't feel ashamed I was in the Hitler Yonth but I feel ashamed and surprised that there was so little concern in Germany wben minorities were persecuted, and people did not feel solidarity but were attracted by propaganda and said 'it's none of our business.'

"Many things they didn't know, but many things they did know. This is a lesson we have to learn about dictatorship.

"And of course I feel ashamed that in the name of Germany millions of people were killed, that we went to war against Poland and Russia and so on."

Manfred Rommel ended the war as an anti-aircraft gunner, a 16-year-old *Luftwaffenoberhelfer*. Now 65, he has been Christian Democrat mayor of Stuttgart, the capital of Baden-Wurttemberg, for 20 years. He said he has tried to work simultaneously for the integration and cultural protection of the quarter of the city's population who are non-nationals: Greeks, Yugoslavs and Turks.

"What we have to learn from the time of Hitler is to fight for the interests of minorities and see them as part of the whole society."

Do you feel a special responsibility because of Hitler'a theories?

"Not because of Hitler. I am clean of Hitler. I feel a special responsibility because I think it is necessary for the future of Europe – especially for a continental country with many frontiers – to be open to minorities."

He also thinks it wrong to ignore – as Chancellor Kohl is being accused of doing – communist survivors of the German resistance movement. "In Stuttgart we have many communist families who have lost grandparents in the concentration camps. I think it would not be decent to exclude them. Their idea was not to support Stalin, but to fight Hitler."

Rommel has also been preaching the virtues of forgiveness to colleagues in former east Germany. There the victims of communist exploitation find his message hard to swallow, he said. "But without the tolerance shown by the German resistance to those who fought with Hitler, German society after the war would have exploded."

Do you see dangers in the neo-Nazi movement or even in Germany's economic success? Will Germany become again dominant and assertive in Europe?

"No, I don't think so. There is no danger from the Nazi movement. We have some criminals who attack asylum-seekers, and so on. This is true. But this is no danger for democracy. We will put them in prison. As for ambition, I don't think so. Germany is almost suffering from the fact that it has become bigger. It may want everything else, but not to be dominant in Europe."

Does not unity itself foster a kind of nationalism that could be dangerous one day?

"I don't think so. Nationalism is almost a little bit discriminated against because the elder generation is full of distrust.

"And we have a lot of problems. It is not easy to incorporste a former communist country in a market economy and free democracy. The east saw us as providing dishwashers and red wine and fruit and holidays in Spain. But now they see us as we really are and they are very much disappointed by the lack of solidarity."

Your generation, I said, is old enough to remember the horrors but too young to have participated in them. Are you afraid that the younger generation will not learn the lessons?

"I would ask: what are the lessons? Some lessons are not learned. But never again will there be National Socialism or anything like that in Germany. Never.

"What is dangerous is that many people don't see the values of democracy. They don't accept our kind of democracy or say it's not good enough for them. This is dangerous because we will have to face many economic and social problems if we produce more and more with less and less manpower. We need democracy also in critical times."

We have another year of anniversaries before the end of the war in Europe, I said. Will it be a relief when it's over?

"Yes, it will be a relief. We won't stop talking about National Socialism and the Third Reich because it's really important to draw the lesson from them. But I hope that there will be less talk about war."

Are you tired of the responsibility of being your father's son?

"No, I'm not tired. I'm not only my father's son. I have made a career in administration, in politics. Of course I always felt obliged to argue for my father.

"We have to face the future but the past is important to learn from. We cannot change it. But we can interpret it."

The bomb plot, Page IX

A cut-throat competition

Michael Thompson-Noel

HAWKS & HANDSAWS

I am still trying to dream np a new world game. I have been at work on it for a fortnight, ever since Miss Lee, my executive assistant, declared that soccer was hideous – "just groups of bairy men rolling on the ground" – and that virtually all sports, especially those with balls, were fnndamentally silly.

She had read that the man who founded Nike – she couldn't remember his name, but was sure he had a beard – had set himself the target of inventing a new game. The more I pondered, the firmer grew my belief that Miss Lee and this man were on to a good thing. Almost all the games we play are unbelievably silly.

Golf, for example, is one of the etupidest activities devised. Yon manufacture a ridicnlously small ball and dig an extremely small hole – in fact 18 tiny holes, separated by thousands of yards of bulldozered landscape – and then yon build a club-house and sit back and watch as fat, smug people wearing lilac sweaters and enjoying the complacency of prosperous middle age waddle up and down your golf course, ettempting to thwack this ball over a pile of displaced peasantry and a pyre of slaughtered wildlife, into this tiny hole.

They even keep score, and then repair to the clubhouse where they fill their throats with gin and talk abont their incomes and how they're changing the Jag and isn't Bambi pitiful but it won't mean a thing by the time of the general election because people aren't stupid and will still vote for Major who is starting to improve his act.

Study the sports pages of our weightiest organs and yon will see that almost every type of game that could be invented has been invented. The Daily Telegraph this week even devoted space to the lacrosse World Cup, which is taking place in England and has attracted, thrillingly, a team of Iroqnois wbo are said to stand, together with four other teams, "between England and glory".

Miss Lee is right; we need a fresh approach.

One that attracts me is that old sci-fi game, Assassin!, in which a trained killer arrives in some megalopolis and hunts down a human quarry. The event is televised all day. Tension mounts unbearably. As the bunt progresses, yon do rather wonder if the person the killer is seeking could be your head of department or even, conceivably, *you*.

The denouement is covered on the 6pm news. If the qnarry escapes, he (or she) is awarded £5m. If not, he (or she) dies, right there in prime-time, garrotted, shall we say, or vaporised by laser-gun.

The victim could be quite ordinary, or someone extremely prominent, such as the micro-brained individual who permits Queen Elizabeth II to stage garden parties at Buckingham Palace in the middle of the working week.

This summer, my progress home from work in my six-year-old Rover has been brought to a halt time and time again by the tumult and scrummaging occasioned in the Mall and along Constitution Hill by hordes of the socially mobile leaving Buck House at the end of one of these parties.

It happened again on Tuesday. Traffic in central London ground to a complete stop – there was already a heatwave raging – as a motley crowd of party-goers swept from Buckingham Palace and milled about outside. I turned off my engine and surveyed these appalling people.

A lot of them seemed to be from parts of Britain that we hoped we had heard the last of – places where ships or cars or other large metal objects used to be manufactured but which are now reverting to primeval forest, thanks to the ministrations of the Tories, or have been razed and then manicured into back-to-back golf courses.

As well as people from the regions, the swell of party-goers in the Mall on Tuesday inclnded numerous serving officers from our great armed forces – nnclear snbmarine ceptains, cavalry and artillery officers, leaders of pike-units from the Tower of London and a lieutenant in charge of a detachment of sad-faced men shouldering arquebuses.

I think Assassin! would be a good game. Bnt I am eure it can be improved on. By next week I hope to have thought of a better one. If I fail, I will stage a competition to see whether readers can suggest a new world game that would satisfy Miss Lee and the man who founded Nike. A prize will be offered – something really glamorous. Tune in next week.

The battling Old Lady

Continned from Page I

their own notes, which are accepted in English supermarkets if not in corner shops. Yet these are not quite what Hayek envisaged: they are fully backed by cash deposits with the Bank of England. The Old Lady actually prints notes and her officials in Threadneedle Street solemnly put them in separate boxes marked Bank of Scotland and Royal Bank of Scotland.

In Hayek's banking market, in contrast, everyone would have to make judgments about individual banks' credit-worthiness. Since commercial banks' reserves would no longer be pooled centrally, they would have to have more liquid balance sheets and stand ready to convert notes and deposits into real assets, such as gold.

The strength of the case for "free banking", as the abolitionist cause is known, is the poor performance of the existing monetary authorities in delivering price and financial stability. The fact that the central bankers' powers are centralised means that they are open to manipulation by politicians for electoral ends, whicb introduces a bias towards inflation.

The human and financial resources that central banks pour into supervising commercial banks appear to deliver precious little. Despite all the effort, the English-speaking economies have experienced one banking crisis per economic cycle since the mid-1970s, running from the property crash in 1974, to the Third World debt disaster in 1982, to the property and junk bond fiasco of the late 1980s, and the simultaneous Savings and Loans debacle. Taxpayers have ended up footing a multi-billion dollar bill.

The free bankers argue, entirely plausibly, that the existence of the central bank as the backstop of the system is a cause of this instability. Commercial bankers are less risk-averse when they know there is a lender of last resort. Depositors impose no constraint on bankers' activities if their deposits are statutorily insured.

The snag with free banking is the assertion that it would lead to e more stable system. Anyone who believes *that* knows nothing of the behavioural pressures on bankers and will believe anything. History suggests that in periods of free banking, instability was endemic and that the social costs of banking panics were high.

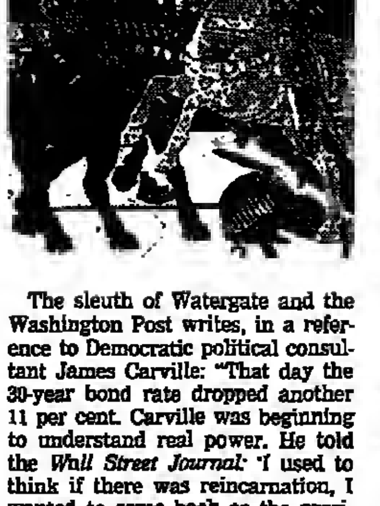
This is because banking is a fundamentally unstable activity. Banks exist to satisfy demands that financial markets cannot meet. Indeed, when the Bank of England was founded, the organised markets were restricted to government debt and the paper of a few chartered companies. Because bank loans are not quoted, they are difficult to value and to turn into cash. Moreover, bankers inevitably have less information about customers than the customers themselves.

Yet the banks' deposits are for fixed amounts and can be withdrawn on a first-come-first-served basis. Depositors are also short of detailed information ebout the people to whom they have entrusted their money. It thus takes only a niggling doubt on the part of depositors about adverse changes in the value of a bank's assets to spark off a run.

It follows that banks *are* different from ordinary companies, and widespread bank failures can lead to a vicious spiral of default and falling prices, as in the US in the 1930s, when a third of all banks collapsed and the Federal Reserve failed to prevent a savage deflation. So the risks in any experiment in free banking are high.

There must be a possibility that in the first free banking panic money would fly to the biggest and safest bank, which in the UK would probably end up being called the Bank of England, if it was not the Bank of England already. In other words, we might find ourselves going through the painful process of rediscovering the convenience of central banking, while being occasionally rebuffed in shops and pubs over our choice of notes.

This does not sound practical. Bigger and cruder threats to the central bankers' status probably come from elsewhere. For a start, the bond markets' power and prestige are in the ascendant. The flavour is well conveyed in *The Agenda*, Bob Woodward's new book on the Clinton administration.



The sleuth of Watergate and the Washington Post writes, in a reference to Democratic political consultant James Carville: "That day the 30-year bond rate dropped another 11 per cent. Carville was beginning to understand real power. He told the *Wall Street Journal*: 'I used to think if there was reincarnation, I wanted to come back as the president or the pope or a 400 baseball hitter. But now I want to come back as the bond market. You can intimidats everybody'."

Tbe bond market is certainly more intimidating than Alan Greenepan of the US Fed. In the face of quickening economic recovery and increasing inflationary potential, bond yields started to rise as early as last October, while the Fed waited until this February before tightening. And in Europe bond yields heve risen to levels that impose a swingeing penalty on countries such as Spain and Italy, where budget deficits and the outstanding stock of government debt are deemed unduly large.

Because long-term interest rates have a disproportionate influence on economic activity in continental Europe, bond markets may even nip economic recovery there in the bud. They have already put e damper on the British housing market by forcing increases in the fixed rates of interest offered to borrowers by building societies and banks.

In the new liberalised global market place, the central bankers' task is thus double-edged. They must ask not only whether economies are overheating, with inflationary consequences, but whether bond markets are overshooting to the point of threatening serious deflation. Perhaps the bond market over-reaction is the late 20th century equivalent of a free banking panic.

In the smaller and more open economies, however, tbe central bankers' room for manoeuvre is somewhat curtailed. Sovereignty may still have a strong national dimension for the Americans, the Germans and the Japanese, but for most others – *pace* Britain's Euro-sceptics – it is overshadowed, in the realm of monetary affairs, by the actions of the Big Three and the bond markets.

All of which brings us to what, for the Bank of England, could render any future anniversary a nugatory affair: European economic and monetary union. This would deliver to the Old Lady a spurious form of independence from the British government, while the remaining ability to influence monetary affairs was transferred to a European central bank – rape, in fact, by any other name, since tbe European bank's decisions will be made on the basis of Europe-wide economic conditions, without much regard for domestic economic shocks.

The good news is that the proposed European bank, unlike the Bank of England, is not being set up to finance wars. The bad news is that the relevant protocol of the Maastricht Treaty gives the new European central banking system a greater degree of independence than any other central bank, while offering less accountability to the European parliament than that demanded of any other central bank. Even the notoriously independent Bundesbank is required to account more seriously to the German parliament.

Such e transfer of power to foreign hands would not be without precedent in Britain. After all, England's disaffection with James II and his alien religion prompted the English to swap their flawed sovereign for William of Orange. Yet the constitution of the proposed European central bank – *pace* the Euro-enthusiasts – is a recipe to make the bond markets look tame. At least William of Orange deigned to cross the Channel and submitted his spending plans to parliament.

Admittedly, Kenneth Clarke, the UK chancellor, argues that monetary union is not on the agenda. James no doubt felt a similar insouciance on the eve of his premature ejection from the throne. But it is hard to believe that a hard core of European countries will not move towards monetary union. Will the Britisb establishment have the nerve to stay out? Will the Old Lady end up running a sub-post office in the new European banking system?

This is no place to re-run the Msastricht debate. But for those who, like the 18th century pamphleteer, wish to air *Some Considerations against the Continuance of the Bank of England*, history has e lesson. If nothing else, she is a durable old bird. Do not write off the quartercentenary yet.

■ An FT Bank of England survey will be published on July 27

هكذا من الأصل